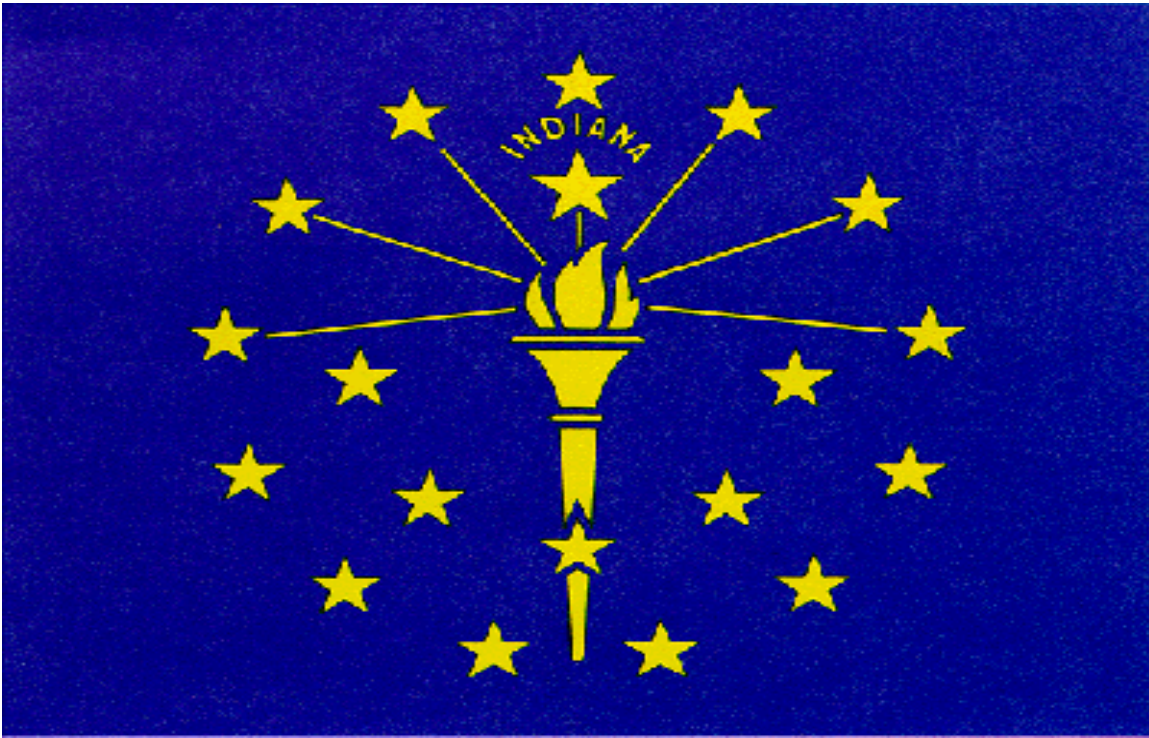


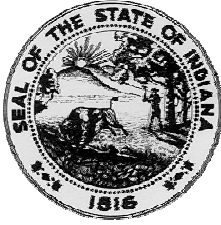
Indiana Department of Gaming Research



Annual Gaming Research Report

December 2004

Joseph R. Koenig, Executive Director



Indiana Department of Gaming Research

Joseph R. Koenig, Executive Director

The Honorable Joseph E. Kernan
Governor of the State of Indiana
Statehouse, Room 206
Indianapolis, IN 46206

Dear Governor Kernan:

I am pleased to present the 2004 Annual Gaming Research Report of the Indiana Department of Gaming Research.

The Department of Gaming Research was created by statute in 2002 to provide unbiased research and analysis of all aspects of legalized gaming in Indiana. This is the second annual report for the department – one created to provide relevant information regarding trends and the economic and social impact of policy decisions regarding gambling in the state.

Calendar year 2004 included the second year of “dockside” or flexible scheduling and the first full calendar year of 24-hour gaming at Indiana’s ten (10) riverboats. It also was a year that witnessed expansion of pari-mutuel horse racing off-track wagering facilities as well as both the legislative enactment and selection process for a casino in Orange County.

The data and analysis provided by the department have proven to be helpful to both the executive and legislative branches of Indiana government. We look forward to continuing to provide useful information to policy makers and the citizens of Indiana.

I am grateful to have the opportunity to serve you and the people of Indiana.

Respectfully submitted,

Joseph R. Koenig
Executive Director

INDIANA DEPARTMENT OF GAMING RESEARCH

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I. THE INDIANA DEPARTMENT OF GAMING RESEARCH

This is the second Annual Report of the Indiana Department of Gaming Research, which was created in the special session of the 2002 Indiana General Assembly. The enabling legislation for the department is found in the Indiana Code at 4-33-18. Duties of the department include research and analysis of data and public policy issues relating to all aspects of gaming in Indiana for the enhancement of:

- the Indiana lottery
- pari-mutuel horse racing
- charity gaming
- riverboat casino gambling

Governor Frank O'Bannon appointed Joseph R. Koenig as the Executive Director effective January 1, 2003. Mr. Koenig subsequently named Vicky L. Loveless as Deputy Director. A. Charlene Sullivan, Associate Professor of Management at Purdue University Krannert Graduate School of Management, assists the department as it conducts research and provides analysis. During the year we also were fortunate to have the assistance and contributions of two students, Clint Schroer and Dan O'Brien.

II. GAMING IN INDIANA – DESCRIPTION AND ACTIVITY

Adjusted Gross Receipts (AGR) is used throughout this report as a measure of gaming activity. AGR refers to the amount patrons bet less the amount paid out to patrons. The “win”, a term often used interchangeably with the “AGR”, does not include adjustment such as the chip and token float which are included when calculating the AGR. The amount of wagering tax the state receives from riverboat casinos is based on the AGR. The term is used in this manner for each form of gaming, except charity, so that a comparable metric can be presented for the various forms of gaming in Indiana. It is also important to note that there can be slight variations in numbers depending on rounding differences and also the use of various types of sources, such as monthly/yearly reports or individual/aggregate data.

Data reported are on a state fiscal year (FY) basis, unless noted otherwise. The section entitled “The Financial Performance of the Indiana Riverboat Industry 2002-2003” reports data using the calendar year (CY).

A. Individual Riverboats:

There are currently 10 riverboats operating in Indiana. The first riverboat to open was Casino Aztar in December of 1995. The Indiana Gaming Commission is the regulatory agency that provides oversight to the riverboats. Its website can be found at: www.in.gov/gaming

See Table A for a listing of each of the 10 riverboats, including descriptive information.

TABLE A: Summary Information of Indiana's Individual Riverboats*

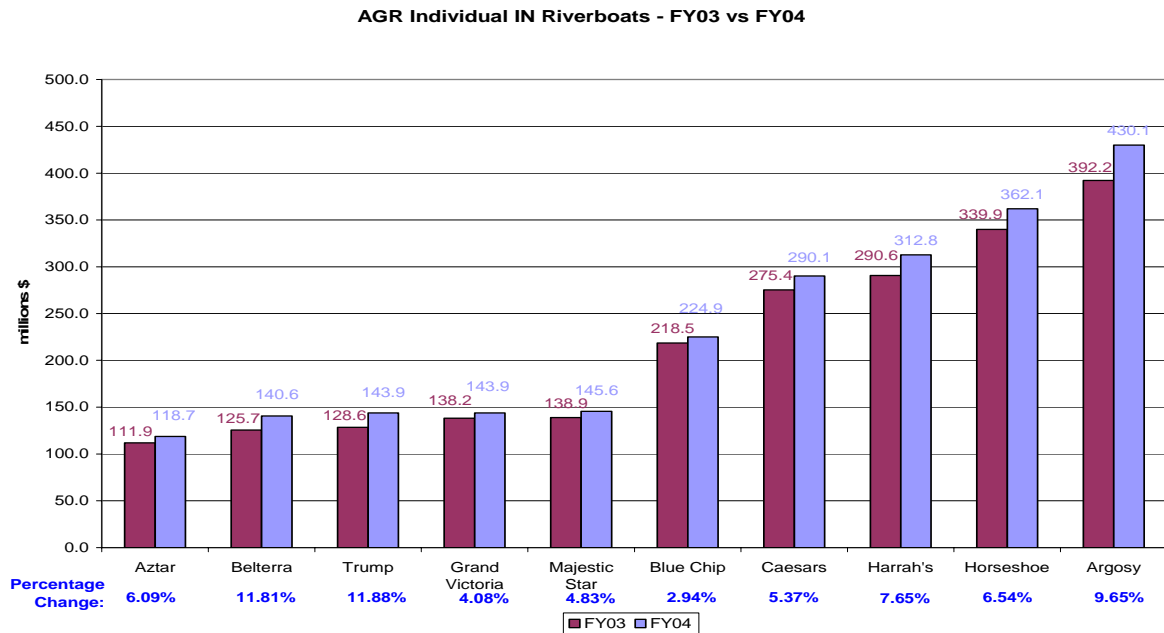
Riverboat	Location: City	Parent Company	Start Date	Casino Square Footage	# EGD's** (a)	# Tables (a)	# Positions (Assume 6 Positions per Table)	Hotel # Rooms
Argosy	Lawrenceburg	Argosy	12/13/1996	74,300	2353	86	2869	300
Belterra	Belterra	Pinnacle Entertainment	10/27/2000	38,000	1531	39	1765	608
Blue Chip	Michigan City	Boyd's	8/22/1997	42,500	1721	51	2027	188
Caesars	Elizabeth	Park Place Entertainment	11/20/1998	93,000	2300	142	3152	503
Casino Aztar	Evansville	Aztar	12/8/1995	38,360	1374	48	1662	250
Grand Victoria	Rising Sun	H. Group Holding, Inc. (Hyatt Int'l Corp.)	10/4/1996	40,000	1509	37	1731	200
Harrah's	East Chicago	Harrah's	4/18/1997	53,000	1909	66	2305	293
Horseshoe	Hammond	Horseshoe	6/29/1996	46,679	2007	49	2301	na
Majestic Star	Gary	Majestic Star LLC	6/11/1996	43,000	1584	50	1884	na
Trump	Gary	Trump Hotels and Casino Resorts, Inc.	6/11/1996	37,000	1717	56	2053	300
State Totals				505,839	18,005	624	21,749	2,642

(a) FY 2004 Indiana Gaming Commission Annual Report

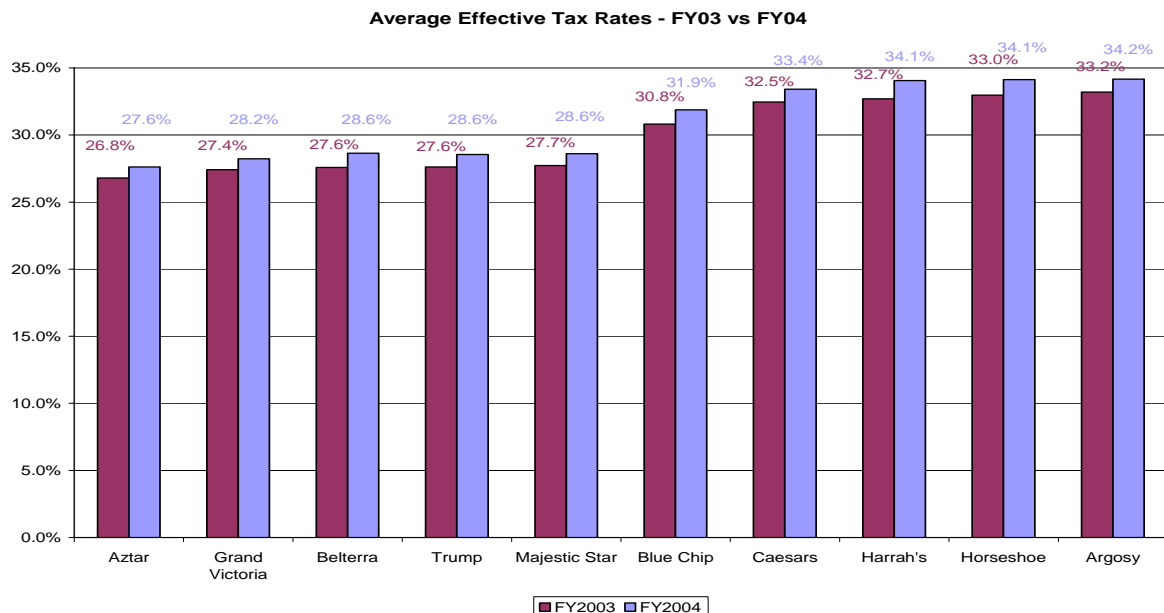
*The numbers may not reflect the MOST current figures.

**EGD's (Electronic Gaming Devices), which include slot machines

The following charts provide information on the AGR, Admissions Tax and Wagering Tax and Win per Patron for the individual riverboats in Indiana. The original data is from revenue reports from the Indiana Gaming Commission.

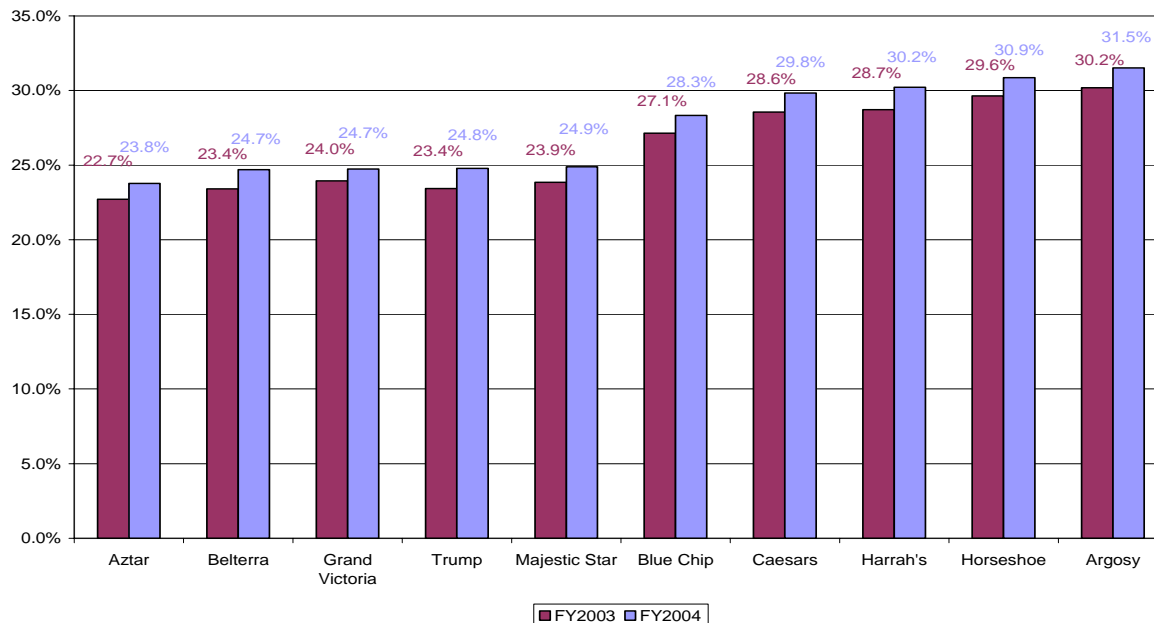


The range in FY03 annual AGR for the riverboats in Indiana is from \$111.9m at Casino Aztar to \$392.2m at Argosy. The range for FY04 is \$118.7 at Aztar to \$430.1 at Argosy. The boat with the highest percentage change in AGR from FY03 to FY04 is Trump at 11.88%.



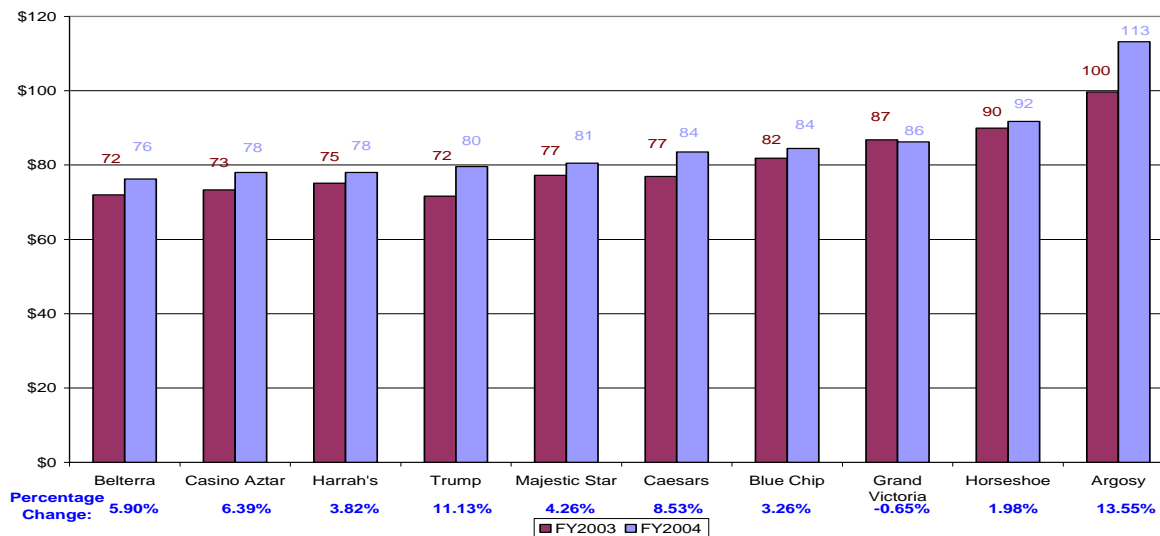
The average total state riverboat gaming tax rate (including admissions tax and wagering tax) – also called “effective tax rate” – was up from FY03 for all Indiana riverboats. The FY04 rates ranged from 27.6% for Aztar to 34.2% for Argosy. The average rate for all boats was 31.05% in FY03 and 32.1% in FY04.

Average Wagering Tax Rates - FY03 vs FY04



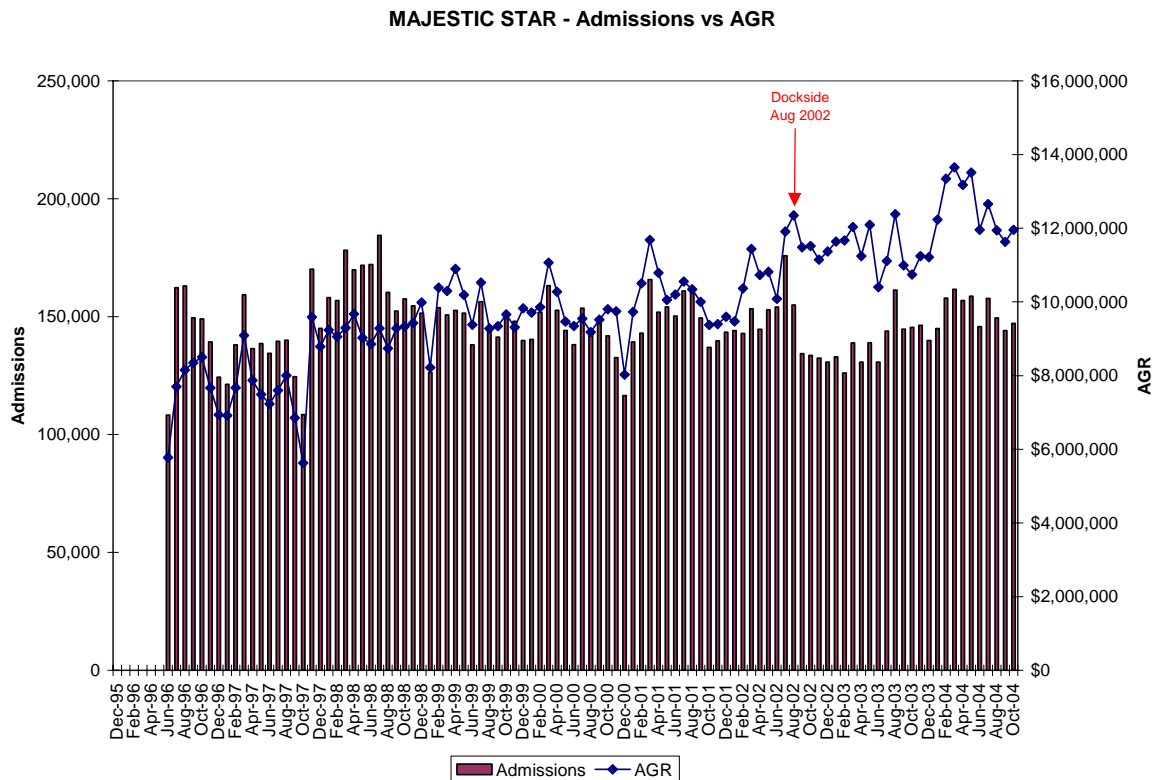
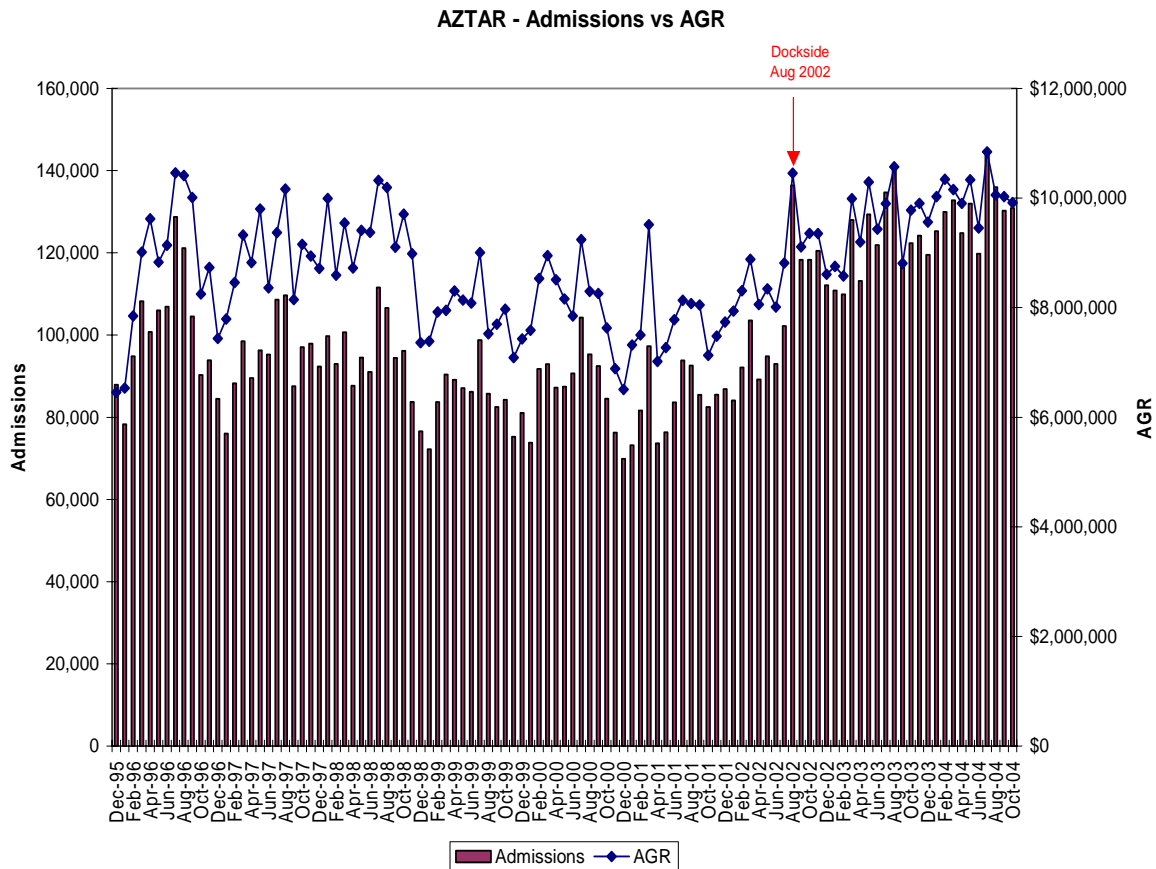
The wagering tax rates paid on AGR by each of the riverboats beginning August of 2002 were based on a graduated tax schedule. The boats that reached the 35% tax rate (the highest rate) during FY04 were Argosy (reached 11/08/03), Horseshoe (reached 12/05/03), Harrah's (reached 12/25/03), Caesars (reached 1/13/04) and Blue Chip (reached 3/6/04). These were the same boats and in the same order to reach the 35% rate in FY03. All boats reached the 30% level of the graduated tax schedule in FY03 and FY04. The average wagering tax rate for all boats was 28.6% in FY04. During the years before dockside began, the boats paid a flat 20% rate in wagering taxes.

Win per Admission - FY03 vs FY04

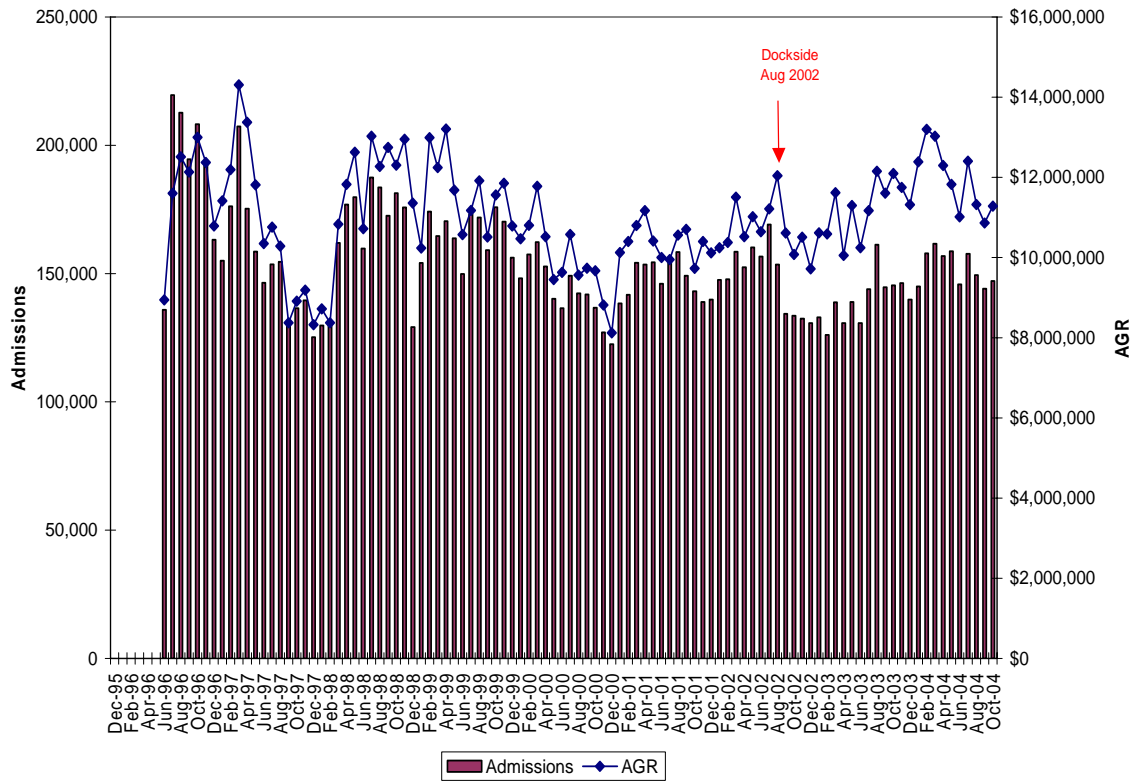


The chart above shows the average amount of win by the riverboats per admission. This could also be referred to as the average amount lost by patrons per patron visit. For FY04 it ranges from \$76 at Belterra to \$113 at Argosy. The average win per patron for all the boats in the state in FY04 was \$87.12 compared to \$89.08 in FY03.

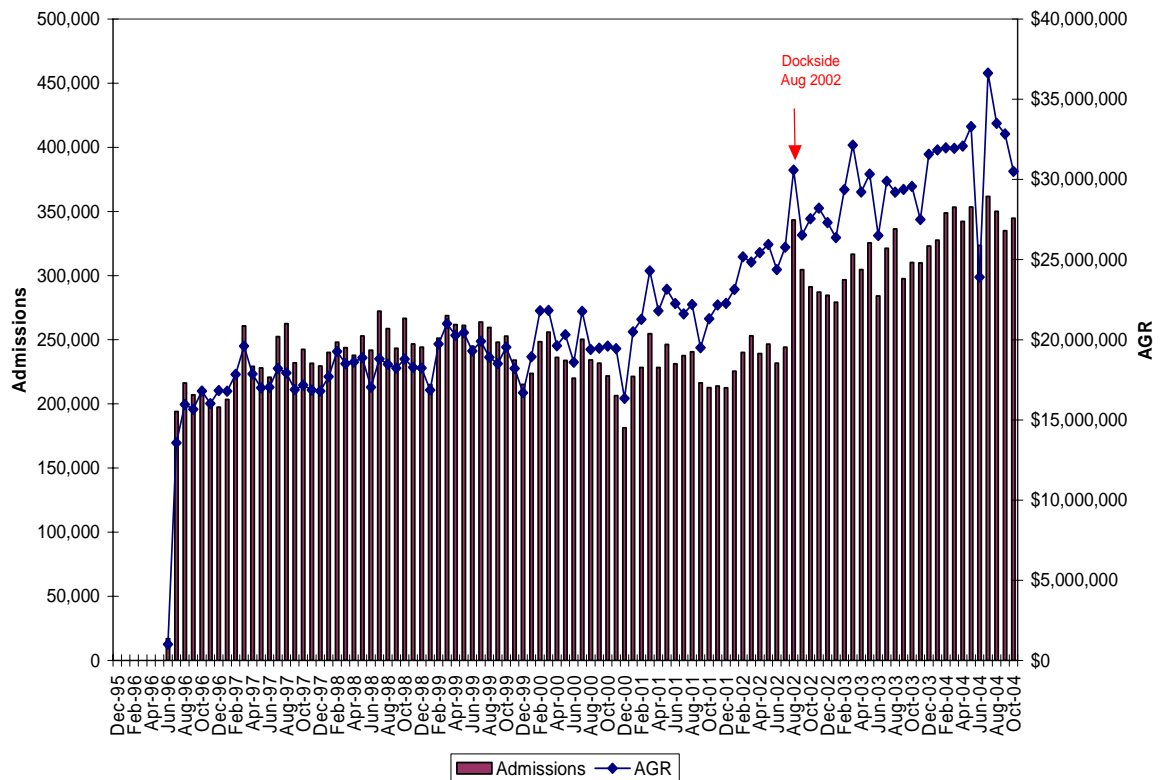
The following ten graphs show historical admissions and AGR data for each riverboat in order of their opening dates.



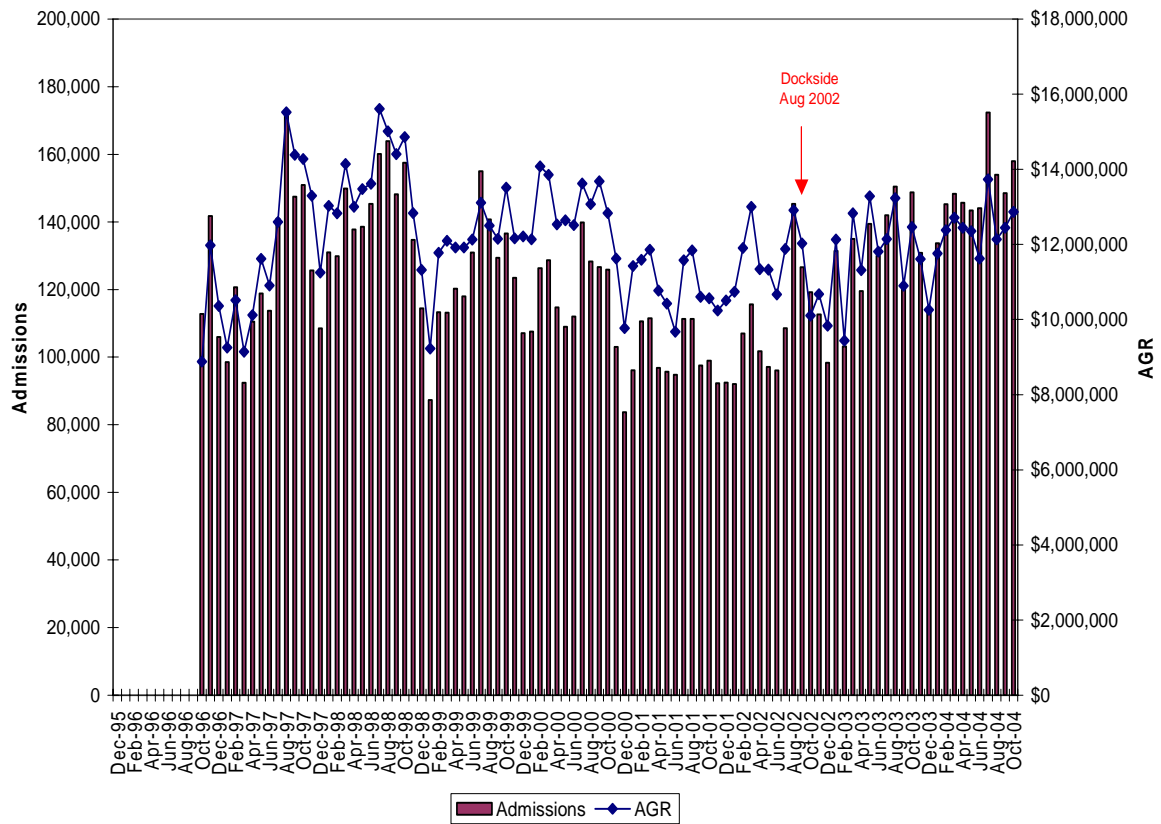
TRUMP - Admissions vs AGR



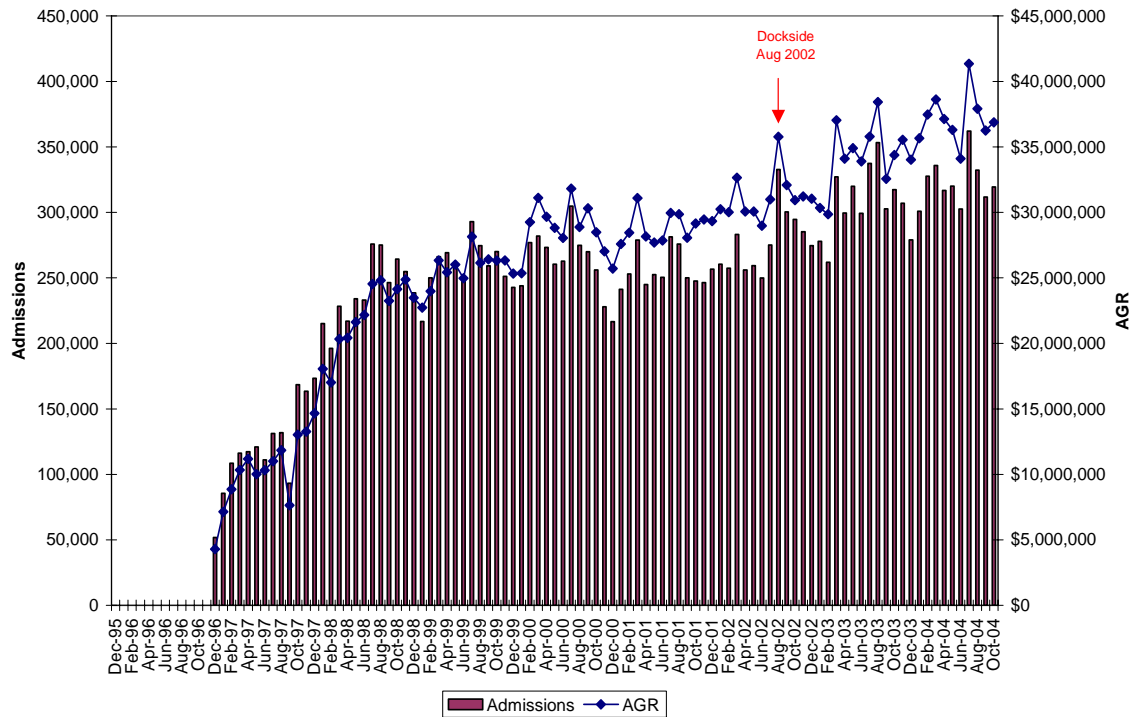
HORSESHOE - Admissions vs AGR



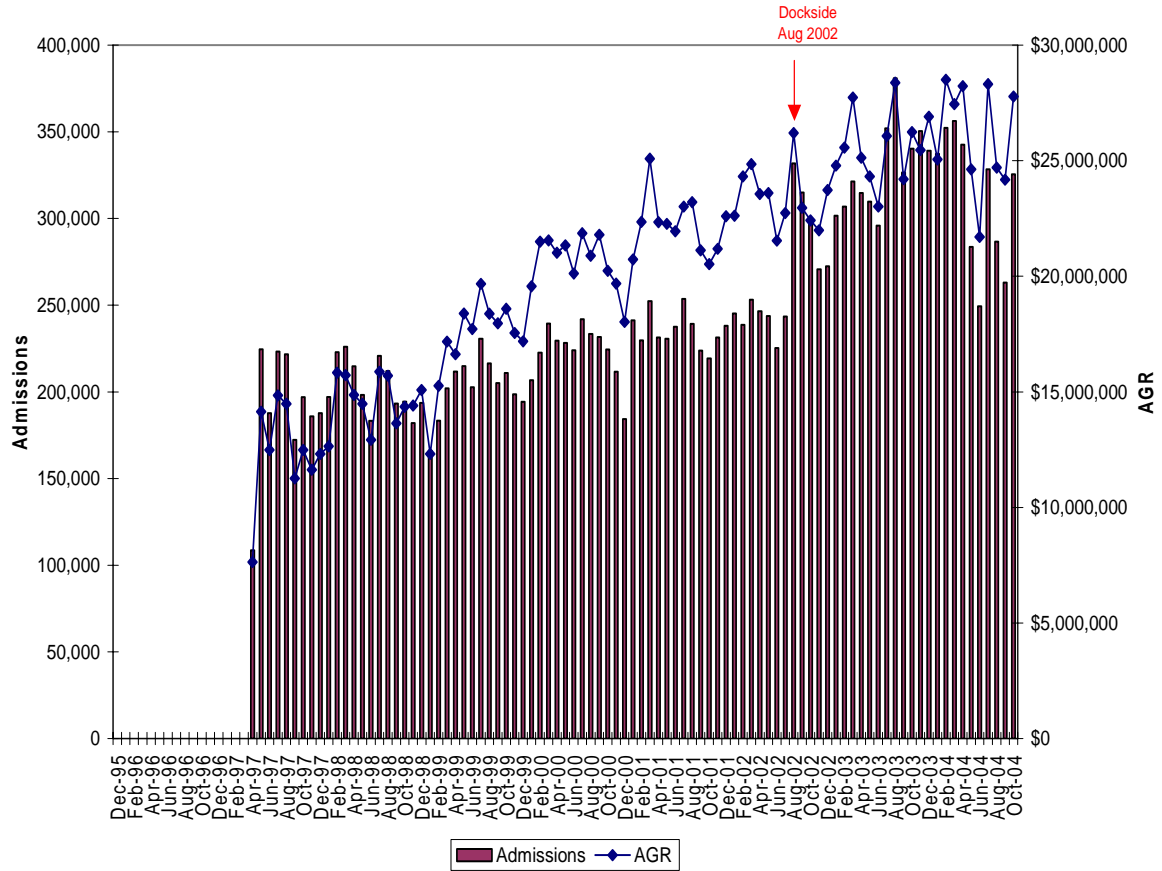
GRAND VICTORIA - Admissions vs AGR



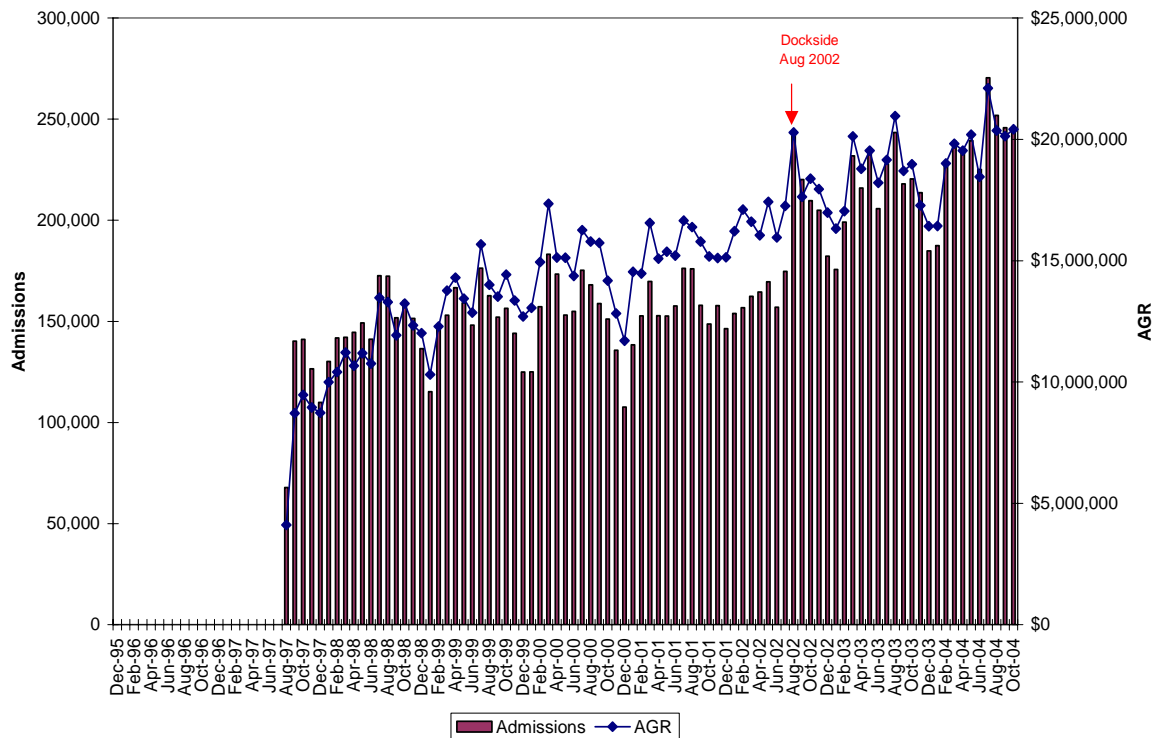
ARGOSY - Admissions vs AGR



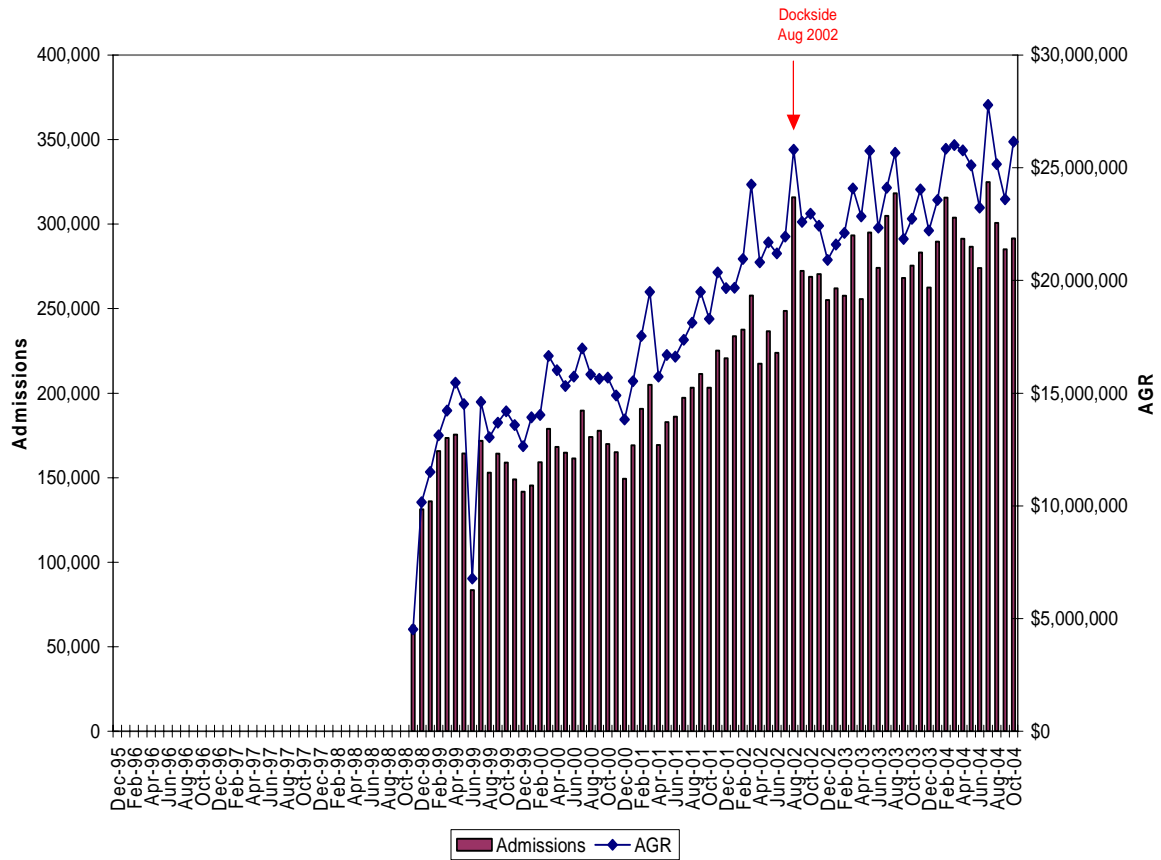
HARRAH'S - Admissions vs AGR



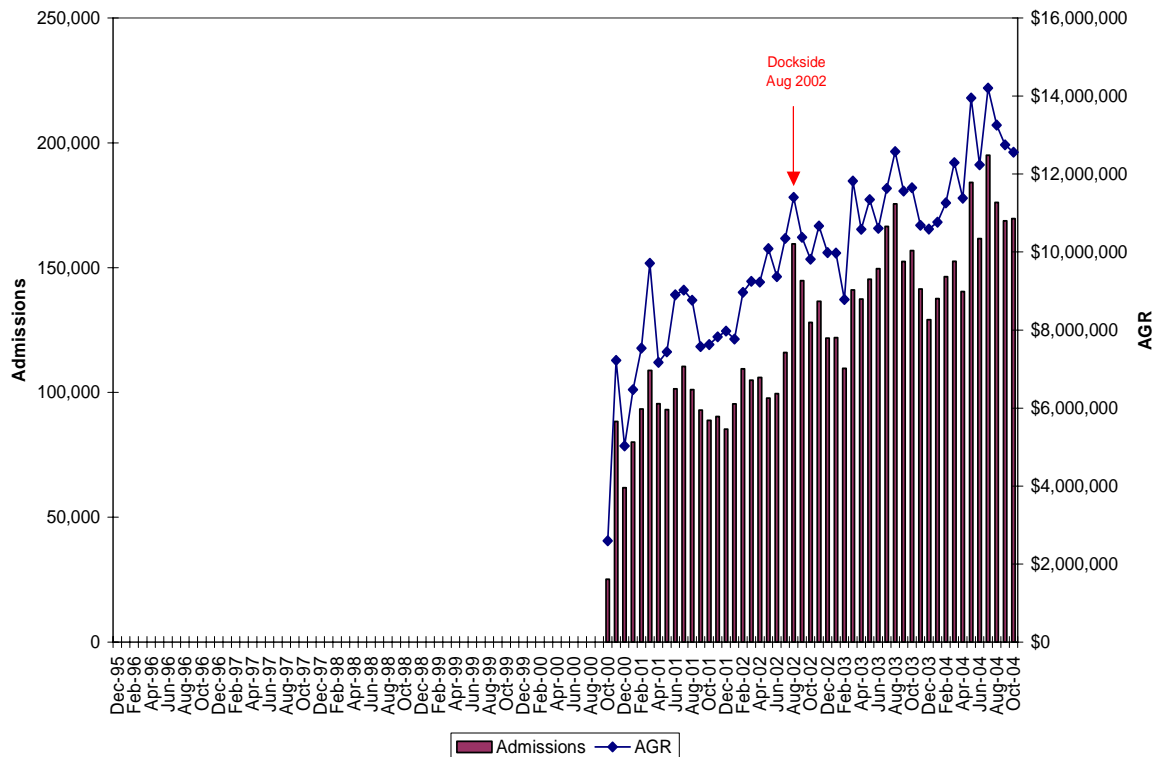
BLUE CHIP - Admissions vs AGR



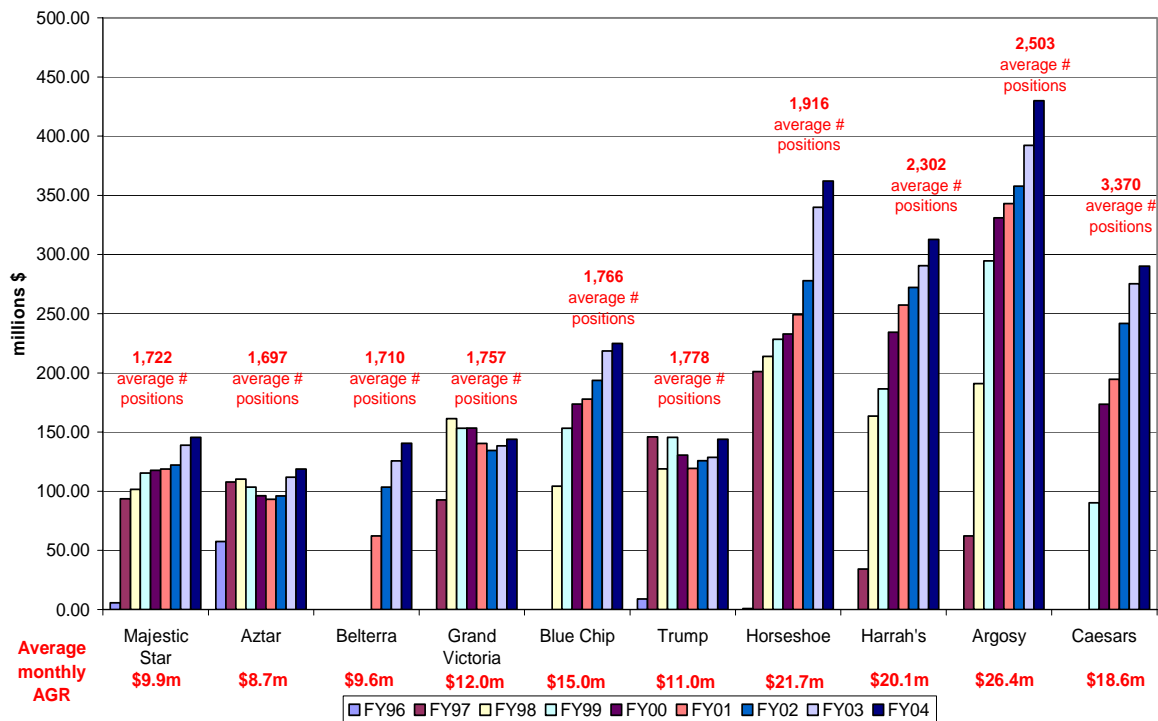
CAESARS - Admissions vs AGR



BELTERRA - Admissions vs AGR



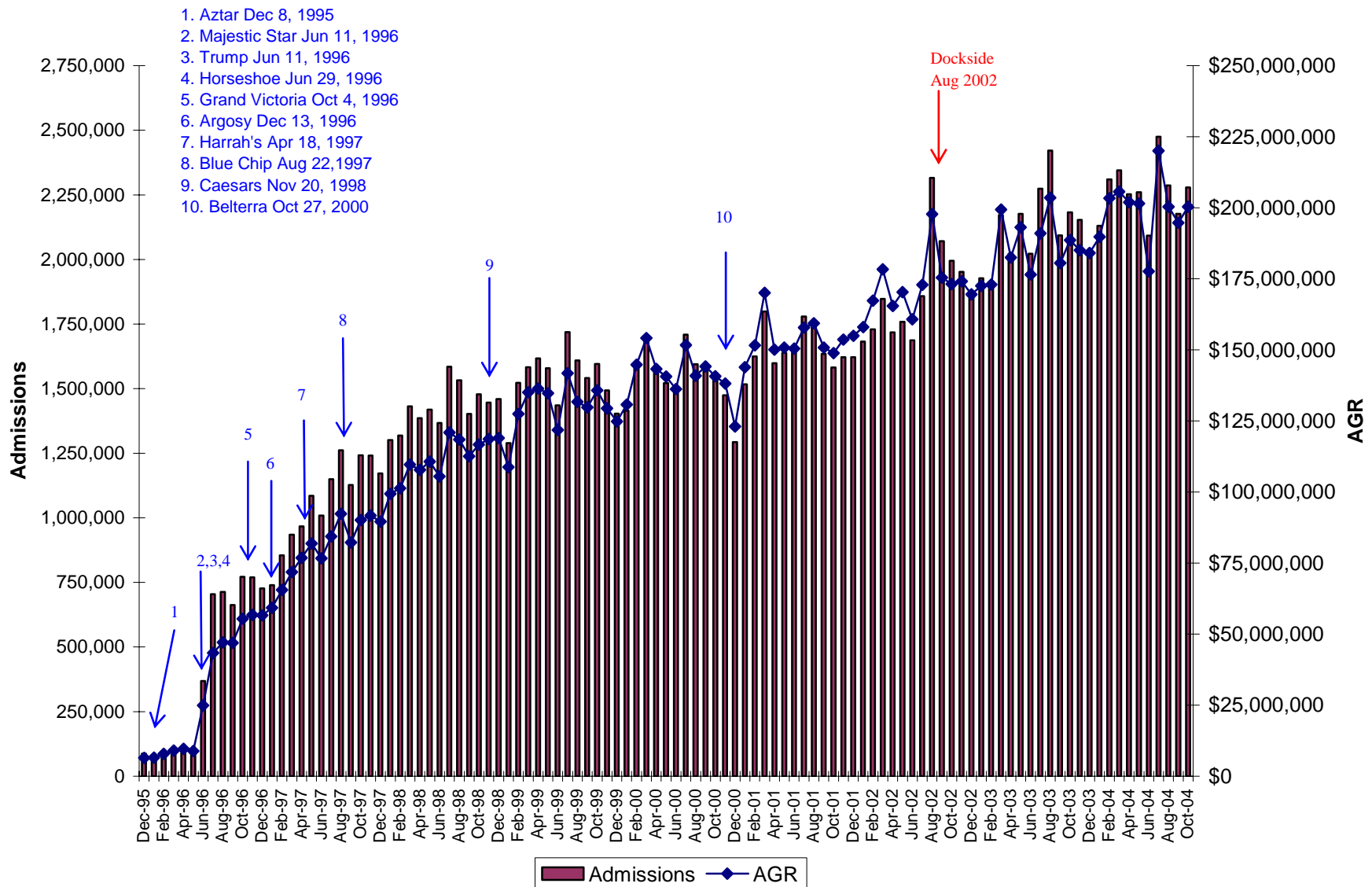
AGR History (FY96 to FY04)
Boats in order from lowest to highest average # of positions



B. Aggregate Riverboat Activity and Taxes Paid

The following section provides financial information on the aggregate riverboat activity as opposed to the individual boats' activities in the previous section. Admissions are compared to AGR from December 1995 when the first riverboat began operations (Casino Aztar) through October 2004. Historical charts showing AGR growth and Win per Patron are presented. Information about EGD (Electronic Gaming Device) and table win is also presented. Aggregate tax information is then presented using graphs and charts. Following that information is a report on "The Financial Performance of the Indiana Riverboat Industry 2002-2003".

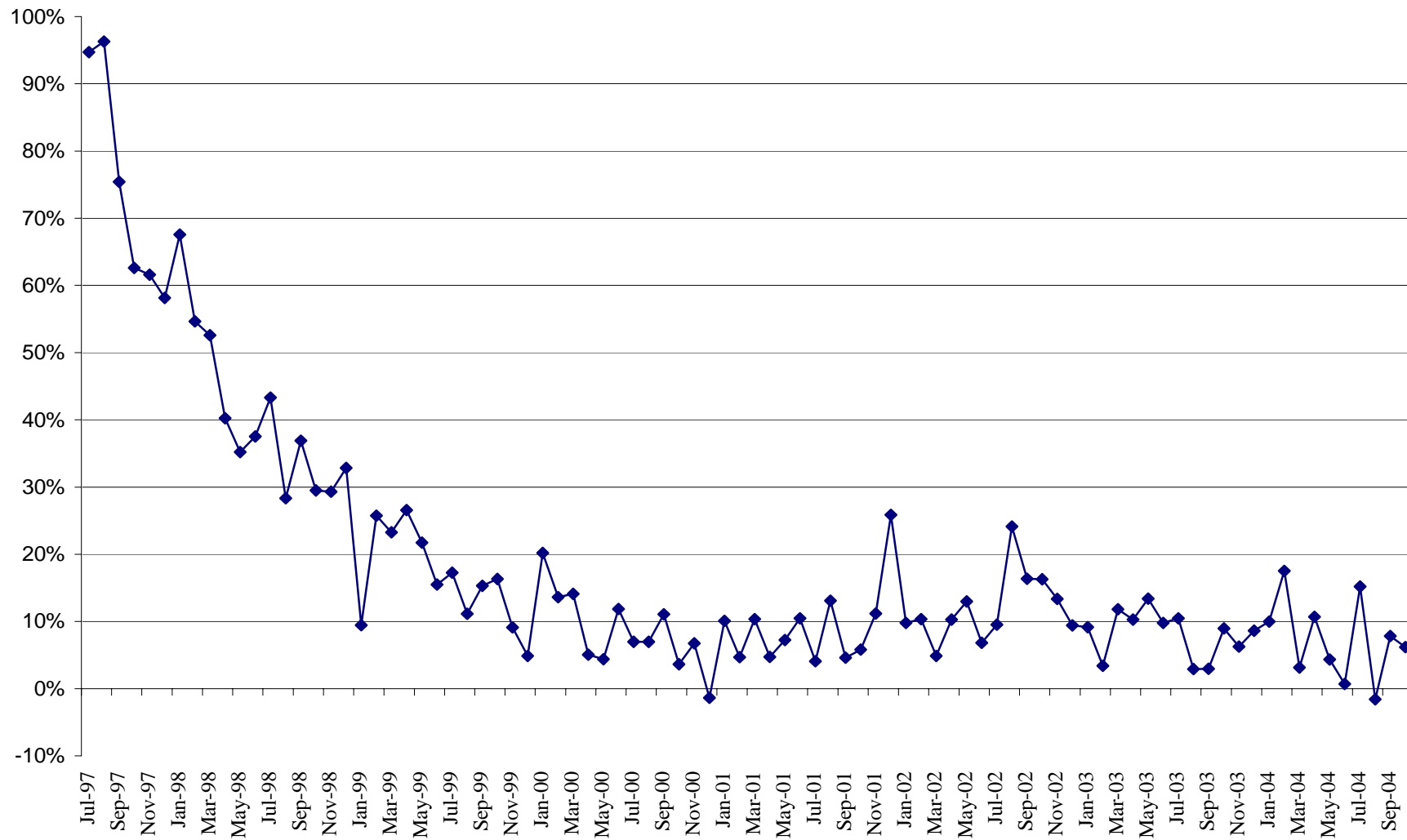
History of Riverboat Admissions vs AGR in Indiana



-This chart shows the monthly aggregate data from the riverboats for admissions and AGR from Dec95 to Oct04. Refer to the upper left of the chart for a list of each of the riverboats and their respective start dates. The numbers 1-10 refer to the corresponding blue arrows, which indicate the month the riverboat began operations.

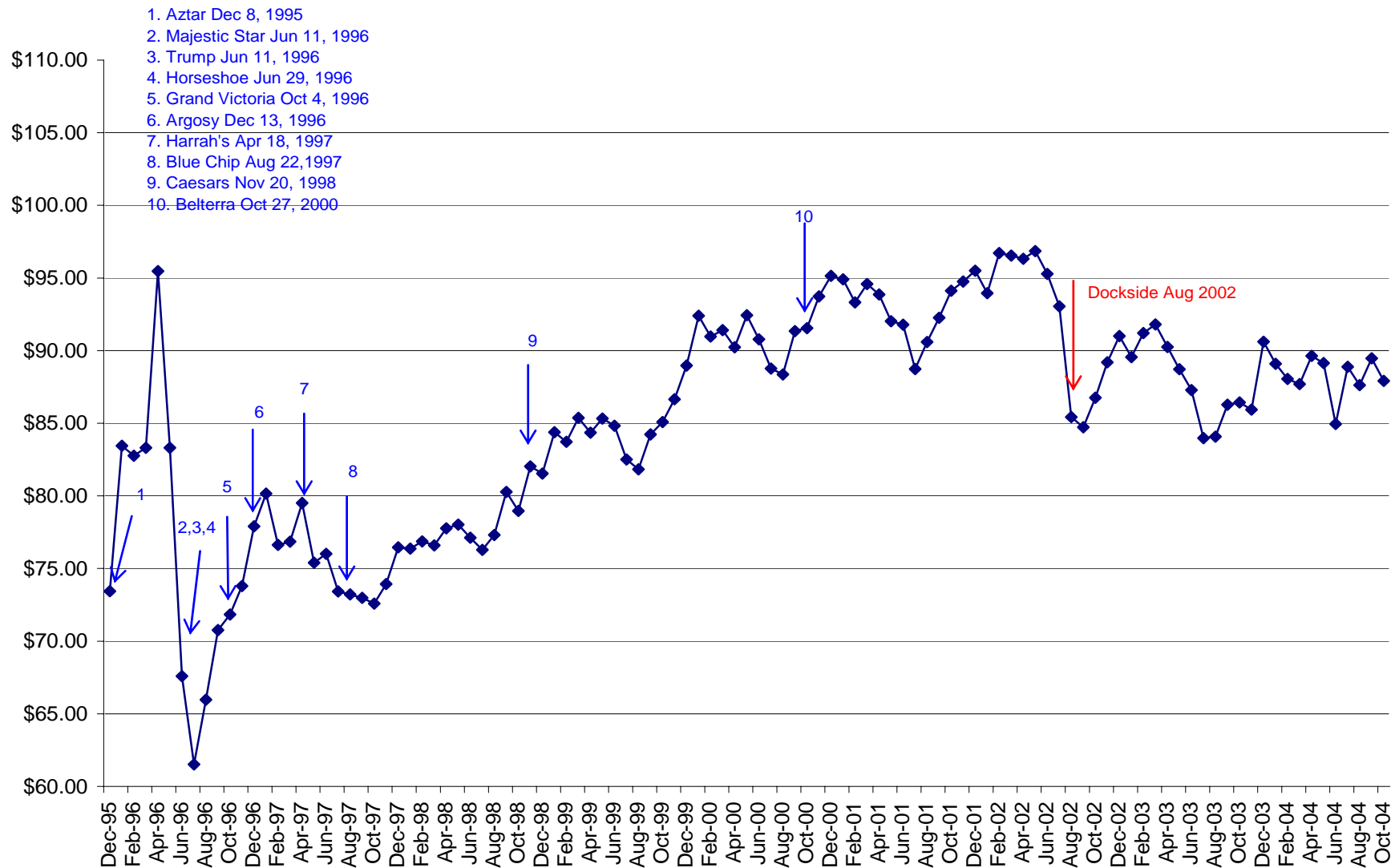
-Riverboats began dockside gaming in Aug02 (see labeled red arrow). There appears to be some seasonality, as admissions tend to increase around the months of March and July and decrease in the December months.

Year Over Year Growth in IN Riverboat AGR



The year over year growth by month in the riverboats' AGR is shown here. The percentage graphed above each month's date listed along the bottom of the graph is referring to the percentage of growth in the listed month compared to the same month of the previous year, i.e., the AGR in July97 grew by 95% compared to July96; the AGR in Oct04 grew 6.19% over that of Oct03. The initial high growth (which actually goes over 800% if we showed data from earlier months) is due to the addition of new riverboats. The fact that the growth curve has gone down is normal as businesses mature. What is important to note is that growth is consistently on the positive side (except at only two points). It appears that AGR growth has leveled off around the 10% level after the ten licenses became operational, but appears to be decreasing slightly over the past couple of years.

IN Riverboat Monthly Average Win per Patron



The Win per Patron, which is the amount of money the riverboats retained on average from each admission, during each month from Dec95 to Oct04 is graphed. Admissions are consistently counted using turnstile numbers, so the impact of the change in the process for counting admissions when flexible boarding (or dockside) began is removed. As in other charts, the numbered list in the upper left refers to the blue numbered arrows to show when each riverboat began operations. With the transition to dockside, Win per Patron declined somewhat to a post-dockside average of \$89.08 in FY03 versus \$94.30 in FY02. The decline continued into FY04 with an average Win per Patron of \$87.12.

Riverboat Taxes

The state of Indiana receives revenue from the riverboats through taxes on the AGR and on admissions. Indiana riverboats are required to pay a wagering tax to the state. Since the first riverboat in December 1995, this wagering tax was 20% of the AGR until July 2002. For the month July 2002, the wagering tax rate was 22.5% (and remains the wagering tax rate for boats not implementing flexible scheduling / dockside). The term AGR as used throughout this report refers to the amount patrons bet, less the amount paid out to patrons.

On July 1, 2002, the riverboats were allowed to request flexible scheduling to remain dockside instead of cruising on the waters. If they choose flexible scheduling (remaining dockside), they are required to pay wagering taxes based on their AGR using a graduated scale. All boats implemented flexible scheduling by August 5, 2002. The graduated wagering tax structure is listed in Table B below. This has not changed since it was first introduced.

TABLE B: Summary of Current Wagering and Admissions Taxes

<p>Graduated Wagering Tax Structure</p> <p>15% of AGR from the first \$25,000,000</p> <p>20% of AGR from \$25,000,000.01 to \$50,000,000</p> <p>25% of AGR from \$50,000,000.01 to \$75,000,000</p> <p>30% of AGR from \$75,000,000.01 to \$150,000,000</p> <p>35% of AGR in excess of \$150,000,000</p>

<p>Admissions Tax</p> <p>Each riverboat pays \$3.00 to the state for each person admitted.</p>

Indiana riverboats are also required to pay a \$3.00 admissions tax to the state for each admission. Before flexible scheduling was adopted by the riverboats, they were required to pay \$3.00 per person per excursion, as the boats would cruise for two hours and if a person remained on the boat, the riverboat had to collect/pay another \$3.00 admissions tax for that person. Also see Table C below to see how the riverboat admissions tax is distributed by the state.

TABLE C: Distribution of Indiana Riverboat \$3 Admissions Tax

Recipient	Amount in Dollars	Percent of Distribution
City	\$1.00	33.33%
County	\$1.00	33.33%
CCVB*	\$0.10	3.33%
State Fair Commission	\$0.15	5.00%
DMHA	\$0.10	3.33%
IN Horse Racing Commission	\$0.65	21.67%

CCVB - County Convention and Visitors Bureau or promotion fund for the county in which the riverboat is docked.

DMHA - Division of Mental Health and Addiction, a division of the State of Indiana Family and Social Services Administration (The division is required to allocate a minimum of 25% of the funds derived from the admissions tax to the prevention and treatment of compulsive gambling).

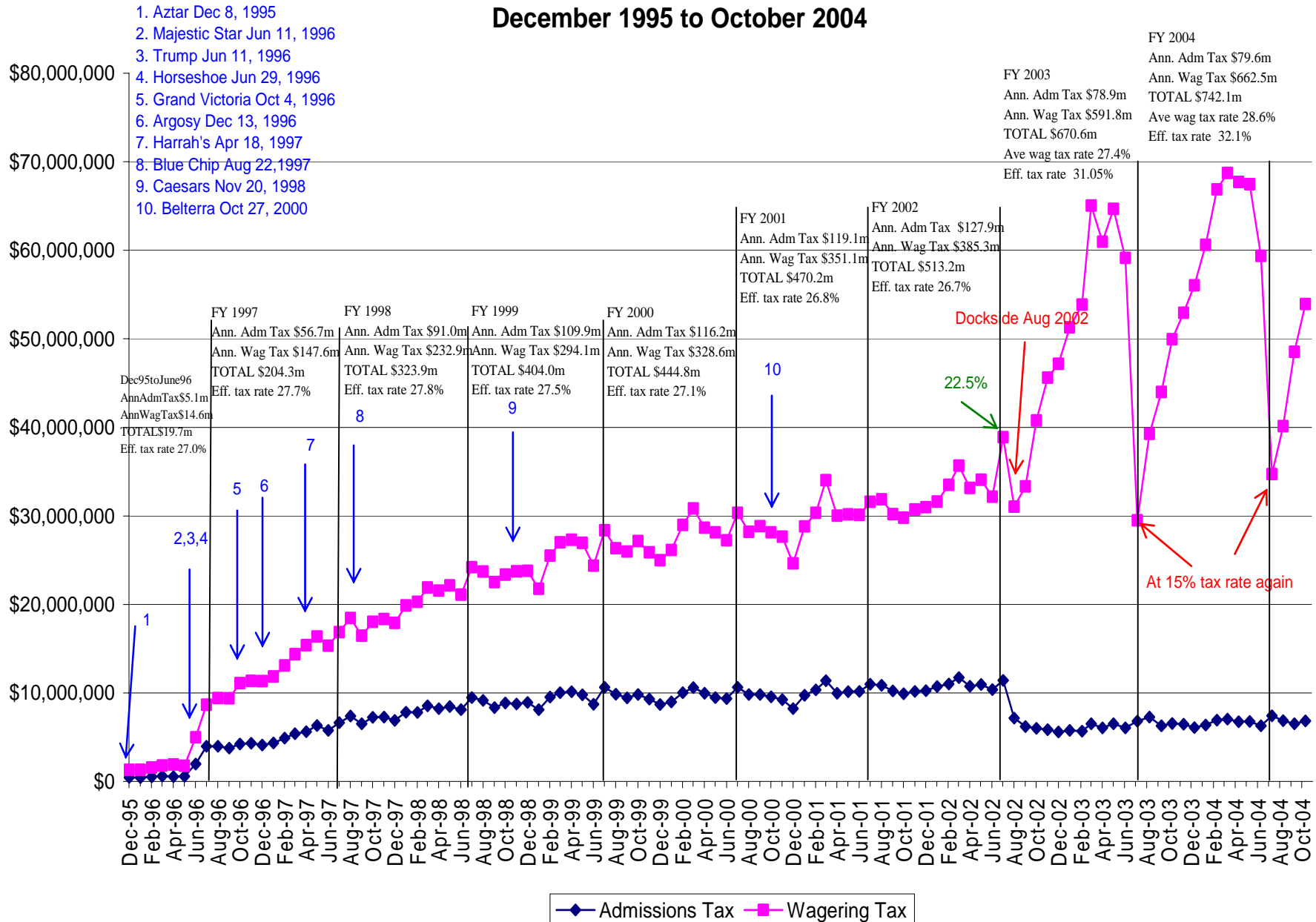
*The Lake County CCVB receives \$.09 of the admissions tax and the Northwest Indiana Law Enforcement Training Center receives \$.01 of the admissions tax from the four Lake County boats.

There had been a continuous increase in admissions tax from December 1995 to August 2002 when admissions tax decreased (even though the turnstile count or admissions increased) at the time dockside began. The decrease is a reflection of the change in the method of counting admissions. As mentioned in the previous paragraph, pre-dockside, one patron could be counted several times in a day as an admission if he stayed over multiple cruises. Post-dockside, a patron is permitted to remain on the riverboat for as long as the patron chooses, but is counted only once for purposes of admissions tax.

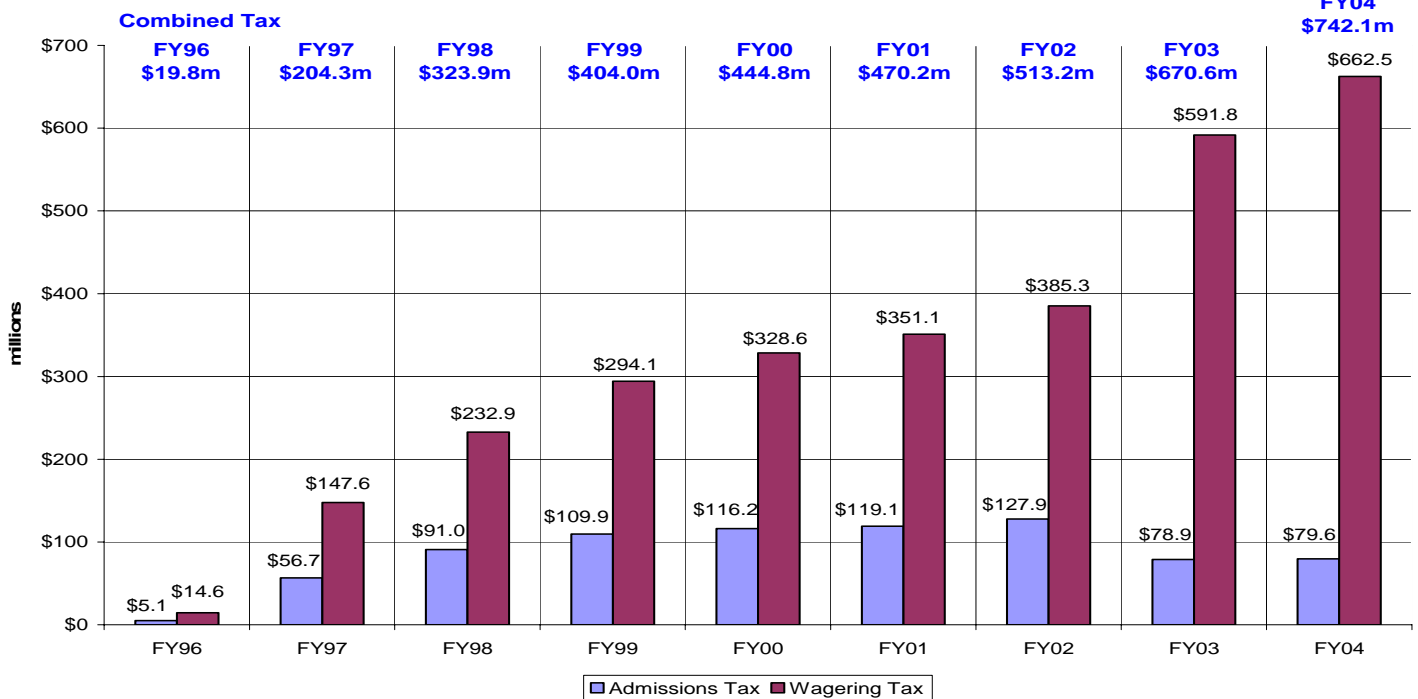
The next page shows a graph of the Indiana Riverboat Admissions Tax and Wagering Tax from December 1995 to October 2004. The annual tax is provided for each fiscal year. Also noted are the dates of the openings of each of the ten riverboats in Indiana.

The relatively dramatic monthly changes in wagering tax between August 2002 and July 2003 are due to the implementation of the graduated wagering tax schedule. The schedule ranged from 15% to 35% over FY03 (July 2002 to June 2003) and resumed the 15% rate in July 2003 and again in July 2004 and continues in each subsequent fiscal year.

Indiana Riverboat Admissions Tax and Wagering Tax December 1995 to October 2004

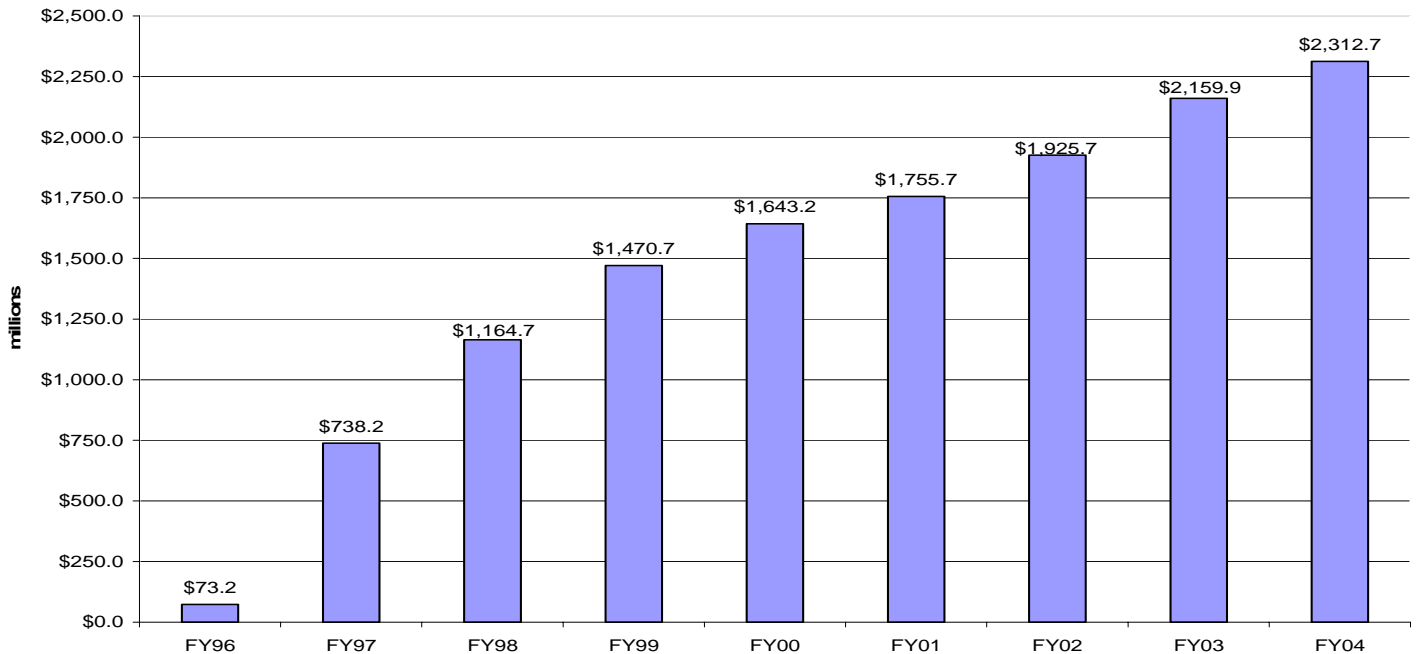


IN Riverboats Admissions Tax and Wagering Tax by Year



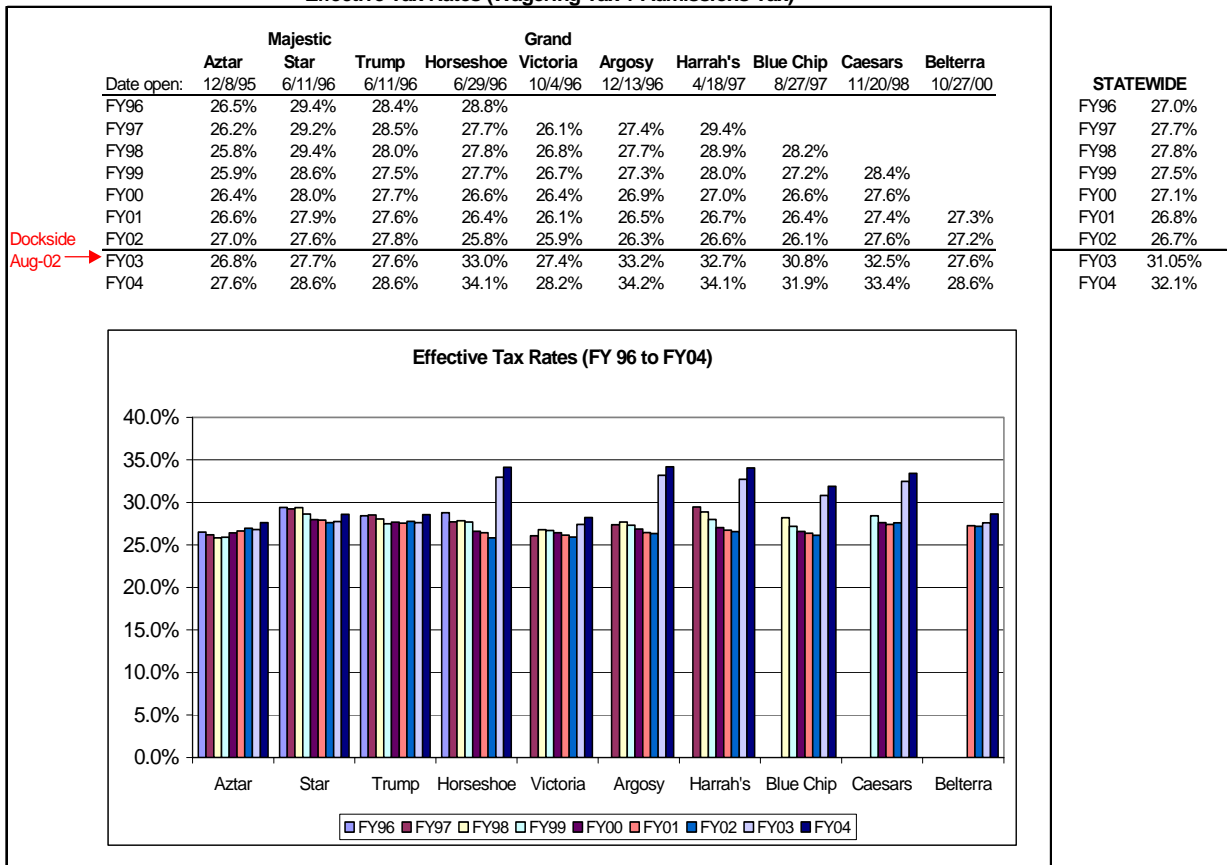
See the chart above to observe the actual trend through fiscal years for admissions and wagering taxes. Wagering taxes have continuously increased by years. So has admissions tax, until the drop in FY03 due to the change in the method of counting admissions post-dockside. The post-dockside implementation of the graduated tax schedule contributed to the sharp increase in wagering tax of 54% in FY03. The wagering tax increase in FY04 was 11% over FY03.

Aggregate AGR for IN Riverboats



The chart above shows the aggregate AGR for the riverboats since they began operations. AGR has increased at a compound average annual rate of about 17.8 percent since 1997.

Effective Tax Rates (Wagering Tax + Admissions Tax)



EGD (Electronic Gaming Device) and Table Win on Indiana Riverboats

A significant issue has been the relative contribution of EGD's (Electronic Gaming Devices) and table games in calculating the win. EGD's include (but are not limited to) slot machines, VLT's (Video Lottery Terminals), video poker and pull-tab machines. The term "EGD" is a common term of reference used in the gaming industry and by regulatory authorities including the Indiana Gaming Commission.

In FY04 the total win for EGD's was \$1,928,305,926 and the total win for table games was \$384,814,755. EGD's made up 83% of the win and table games made up 17% - Compared to 82% and 18% respectively in FY03.

Tables D-G on the following page show "win" for EGD's, tables, table positions and total positions for each of the 10 Indiana riverboats for FY04.

FY04 Average Annual and Daily Win for EGD's, Tables, Table Positions and Total Positions

TABLE D	# EGD's as of 6/30/04	Total EGD Win for each boat FY04	Average Win per EGD FY04	Average Daily Win per EGD (position) FY04
Argosy	2,353	\$356,276,022	\$151,414	\$415
Horseshoe	2,007	\$291,393,905	\$145,189	\$398
Harrah's	1,909	\$258,826,591	\$135,582	\$371
Blue Chip	1,721	\$199,379,775	\$115,851	\$317
Caesars	2,300	\$228,085,681	\$99,168	\$272
Grand Victoria	1,509	\$128,733,912	\$85,311	\$234
Belterra	1,531	\$121,319,738	\$79,242	\$217
Majestic Star	1,584	\$120,323,979	\$75,962	\$208
Casino Aztar	1,374	\$101,795,485	\$74,087	\$203
Trump	1,717	\$122,170,838	\$71,154	\$195
TOTALS:	18,005	\$1,928,305,926	\$107,098	\$293

Table D lists the Indiana riverboats in order of highest “Average Daily Win per EGD” to lowest. The range is from \$415 at Argosy to \$195 at Trump. The average for the totals from the riverboats is \$293.

TABLE E	# Tables as of 6/30/04	Total Table Win for each boat FY04	Average Win per Table FY04	Average Daily Win per Table FY04
Horseshoe	49	\$70,754,637	\$1,443,972	\$3,956
Argosy	86	\$73,719,274	\$857,201	\$2,348
Harrah's	66	\$53,841,258	\$815,777	\$2,235
Majestic Star	50	\$25,288,897	\$505,778	\$1,386
Blue Chip	51	\$25,475,578	\$499,521	\$1,369
Belterra	39	\$19,255,825	\$493,739	\$1,353
Caesars	142	\$62,063,005	\$437,063	\$1,197
Grand Victoria	37	\$15,204,557	\$410,934	\$1,126
Trump	56	\$21,641,713	\$386,459	\$1,059
Casino Aztar	48	\$17,570,011	\$366,042	\$1,003
TOTALS:	624	\$384,814,755	\$616,690	\$1,690

Table E lists the Indiana riverboats in order of highest “Average Daily Win per Table” to lowest. The range is from \$3,956 at Horseshoe to \$1,003 at Casino Aztar. The average for the totals from the riverboats is \$1,690.

TABLE F	# Table Positions-(Assume 6 each) as of 6/30/04	Total Table Win for each boat FY04	Average Table Position Win FY04	Average Daily Win per Table Position FY04
Horseshoe	294	\$70,754,637	\$240,662	\$659
Argosy	516	\$73,719,274	\$142,867	\$391
Harrah's	396	\$53,841,258	\$135,963	\$373
Majestic Star	300	\$25,288,897	\$84,296	\$231
Blue Chip	306	\$25,475,578	\$83,254	\$228
Belterra	234	\$19,255,825	\$82,290	\$225
Caesars	852	\$62,063,005	\$72,844	\$200
Grand Victoria	222	\$15,204,557	\$68,489	\$188
Trump	336	\$21,641,713	\$64,410	\$176
Casino Aztar	288	\$17,570,011	\$61,007	\$167
TOTALS:	3,744	\$384,814,755	\$102,782	\$282

Table F lists the Indiana riverboats in order of highest “Average Daily Win per Table Position” to lowest. This is assuming that each table has six positions. The range is from \$659 at Horseshoe to \$167 at Casino Aztar. The average for the totals from the riverboats is \$282.

TABLE G	EGD + Table Total # Positions as of 6/30/04	Total EGD + Table Win per boat FY04	Average Win per Position FY04	Average Daily Win per Position FY04
Horseshoe	2,301	\$362,148,542	\$157,387	\$431
Argosy	2,869	\$429,995,296	\$149,876	\$411
Harrah's	2,305	\$312,667,849	\$135,648	\$372
Blue Chip	2,027	\$224,855,353	\$110,930	\$304
Caesars	3,152	\$290,148,686	\$92,052	\$252
Grand Victoria	1,731	\$143,938,469	\$83,153	\$228
Belterra	1,765	\$140,575,563	\$79,646	\$218
Majestic Star	1,884	\$145,612,876	\$77,289	\$212
Casino Aztar	1,662	\$119,365,496	\$71,820	\$197
Trump	2,053	\$143,812,551	\$70,050	\$192
TOTALS:	21,749	\$2,313,120,681	\$106,355	\$291

Table G lists the Indiana riverboats in order of highest “Average Daily Win per Position” (EGD + Table) to lowest. The range is from \$431 at Horseshoe to \$192 at Trump. The average for the totals from the riverboats is \$291.

THE FINANCIAL PERFORMANCE
OF THE INDIANA RIVERBOAT INDUSTRY 2002-2003

by A. C. Sullivan

This section summarizes a study of the aggregate financial performance of the ten riverboats operating in Indiana for the two-year period ending in December 2003. In the last two years, the state gaming tax rate was increased with the introduction of dockside gaming. As a consequence, the operations were able to increase gaming revenues but incurred a higher average gaming tax. This analysis highlights the impact of these changes on the economic performance of the riverboat industry in Indiana.

Economic Performance. The implementation of dockside gaming had a positive economic effect on the riverboats in Indiana and on the state. In 2002, adjusted gaming revenue increased at a compound annual rate of 10.6 percent in 2002 and by 8 percent in 2003. At the same time, average total gaming taxes, including local incentive taxes based on adjusted gaming revenue, increased from 30.7 percent of annual gaming revenue in 2001 to 31.1 percent in 2002 and moved to 36.2 percent in 2003 as more of the riverboats reached the highest tax brackets.

These numbers are in \$(000):

	2003
Industry EBITDA	\$456,201
Less Interest Expense	\$100,557
Less Capital Expenditures	\$156,638
Less Debt Repayment	-\$51,842
Equals Free Cash Flow Before Tax	\$250,848
Less Federal Income Tax (35%)	<u>\$78,061</u>
Equals Cash Flow to Equity Holders	<u>\$172,787</u>

The operating performance of the riverboats may be summarized in the measure EBITDA as a percentage of adjusted gaming revenue. EBITDA or earnings before interest, income taxes, and depreciation expense as a percent of gaming revenue increased from 23 percent in 2001 to 25.6

percent in 2002 but fell to 20.46 percent in 2003. In absolute dollar terms, EBITDA for the industry fell by \$71.58 million or 13.6 percent in 2003 relative to 2002.

EBITDA is an important measure of economic performance for any business enterprise because from that amount, interest expense, debt principal repayment, capital expenditures and federal income taxes are paid. The ratio of total Long Term Debt as a percent of EBITDA is an important indicator of the credit risk of an industry as is the ratio of EBITDA to Interest Expense. In 2003, the aggregate ratio of Long Term Debt to EBITDA for the Indiana operations was 2.52 times. The aggregate ratio of EBITDA divided by Interest Expense was 4.5 times. Both of these ratios are relatively low, supporting the conclusion that the Indiana facilities are not highly levered in aggregate and do have sufficient cash flow to service its existing debt.

The balance or the final Free Cash Flow figure is available to provide a return to equity investors. An estimate of the return to the aggregate equity investors owning the Indiana boats is presented here, based on actual interest expense, capital expenditures, debt repayment and an estimate of federal income taxes paid. On an aggregate equity base of \$1.006 billion invested in the Indiana boats in 2003, the owners earned an after tax return of approximately 17.17 percent, down from 18.2 percent in 2002. While the return rate is down, in aggregate the Indiana operations produced a competitive return to equity investors.

C. Pari-Mutuel Horse Racing

The first horse track to open in Indiana was Hoosier Park in Anderson. Its opening was September 1994. Indiana Downs' (Shelby County) opening was December 2002. Both tracks have Thoroughbred and Standardbred racing. Hoosier Park had 60 Standardbred race dates and 60 Thoroughbred race dates in calendar year 2004 (CY04). Indiana Downs had 82 Standardbred race dates and 48 Thoroughbred race dates in CY04. Both tracks offer full-card simulcast wagering.

Each track also operates off-track betting facilities (OTB's). The locations of the Hoosier Park OTB's (also known as "Trackside Indiana") are:

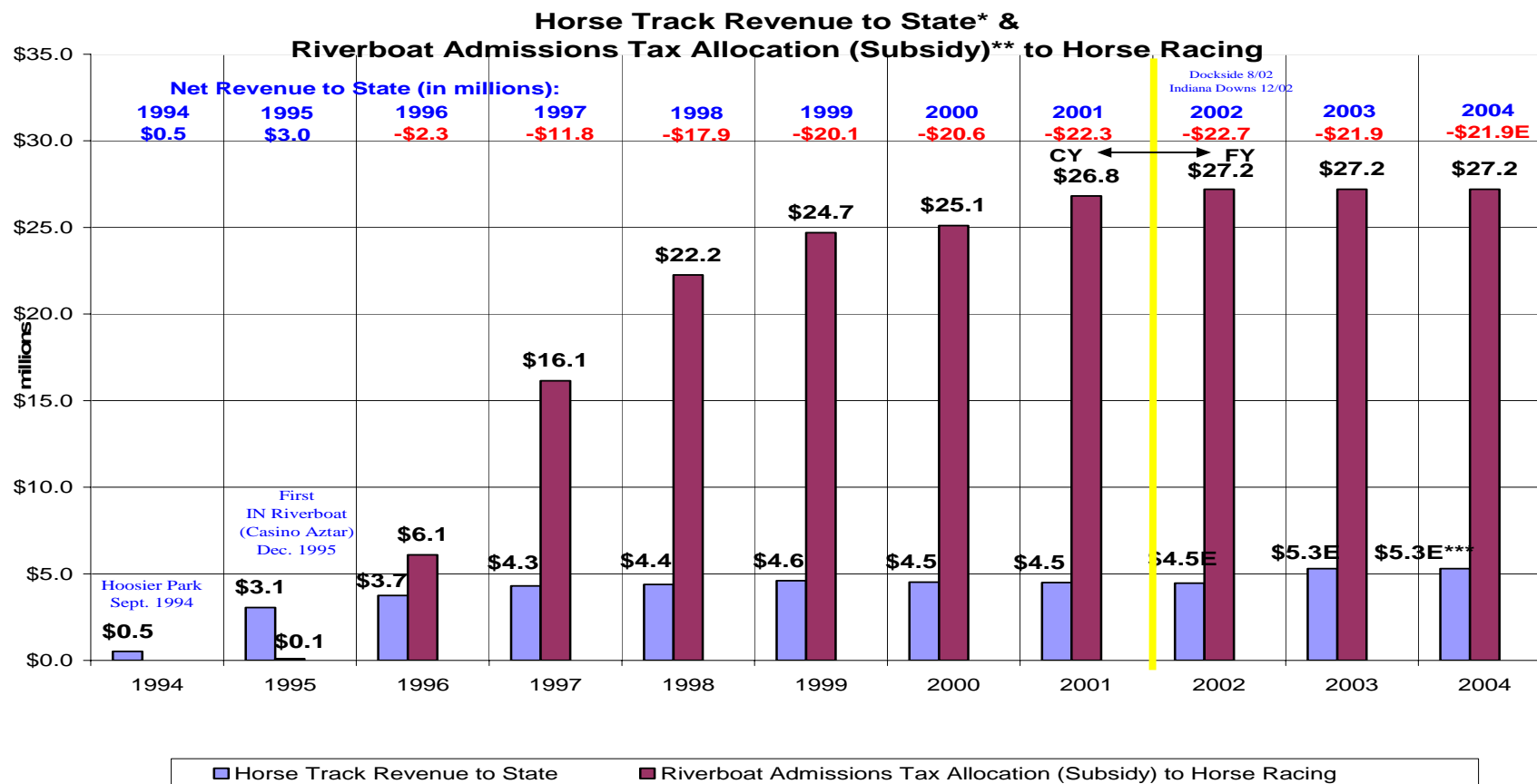
- Indianapolis (opened October 25, 1995)
- Fort Wayne (opened April 26, 1995)
- Merrillville (opened January 25, 1995)

Indiana Downs maintains two OTB facilities:

- Evansville (opened February 2, 2003)
- Clarksville (opened March 22, 2004)

The Indiana Horse Racing Commission is the regulatory body for the horse racing industry in Indiana. Its website is: www.in.gov/ihrc

A portion of Hoosier Park's and Indiana Downs' funding comes from the admissions tax paid by Indiana riverboats as was shown in Table C previously (p.17). 65 cents of each \$3 admissions tax is distributed through the Indiana Horse Racing Commission to the tracks, purses and breed development. In CY01 and the previous years a portion of the tax was also devoted to promotions.



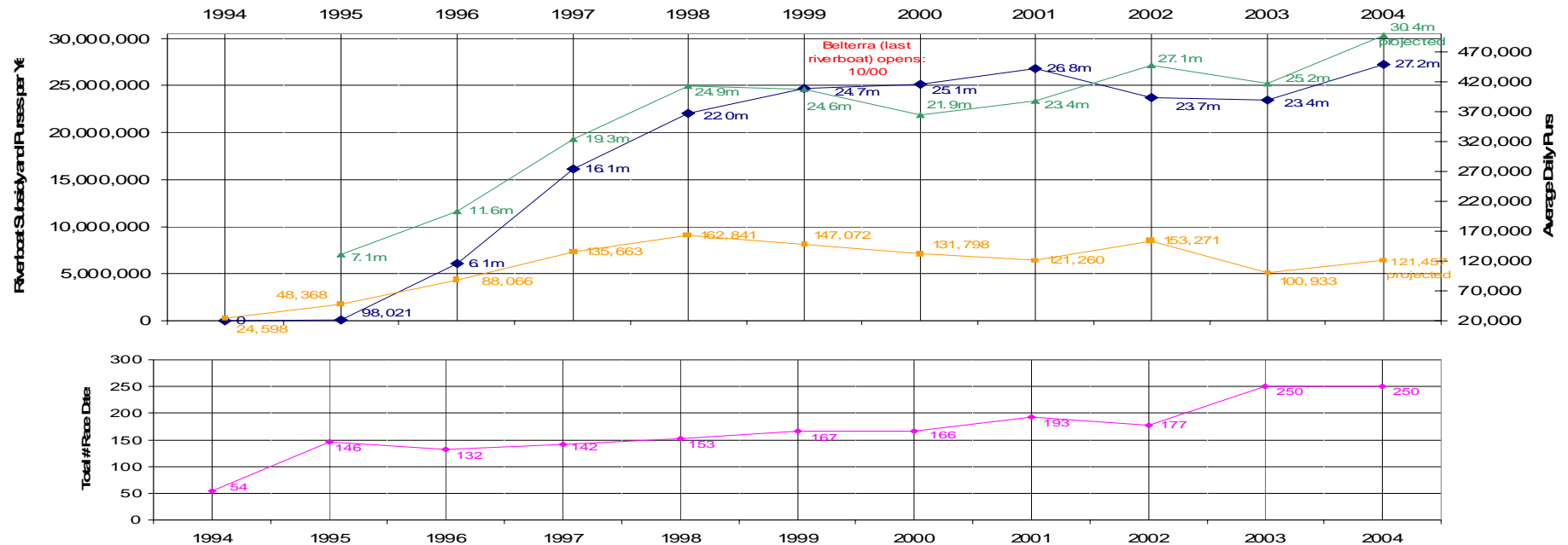
*Track revenue to the state includes pari-mutuel tax, track reimbursement for officials, admission tax, fines and civil penalties paid, and track permit and license fees.

** 2002, 2003 and 2004 “Horse Track Revenue to State” (blue) are representing the fiscal year figures and we estimate them to be approximately the same as the CY numbers.

***The Indiana Horse Racing Commission maintained financial records on a CY basis prior to 2004. This chart reflects CY results from 1994 through 2001 and FY revenue and subsidy totals for FY02 through FY04. By statute the supplemental distribution of riverboat revenue from the Treasurer of State is to make the subsidy equal to the base year (FY02) distribution of \$27.2 million. With flexible scheduling or “dockside” (effective August 2002) the riverboat admission tax declined while the wagering tax increased. The supplemental distribution (supplementing the “Riverboat Admissions Tax Allocation”) is taken from the wagering tax. The supplemental distributions are known as “recapture” money.

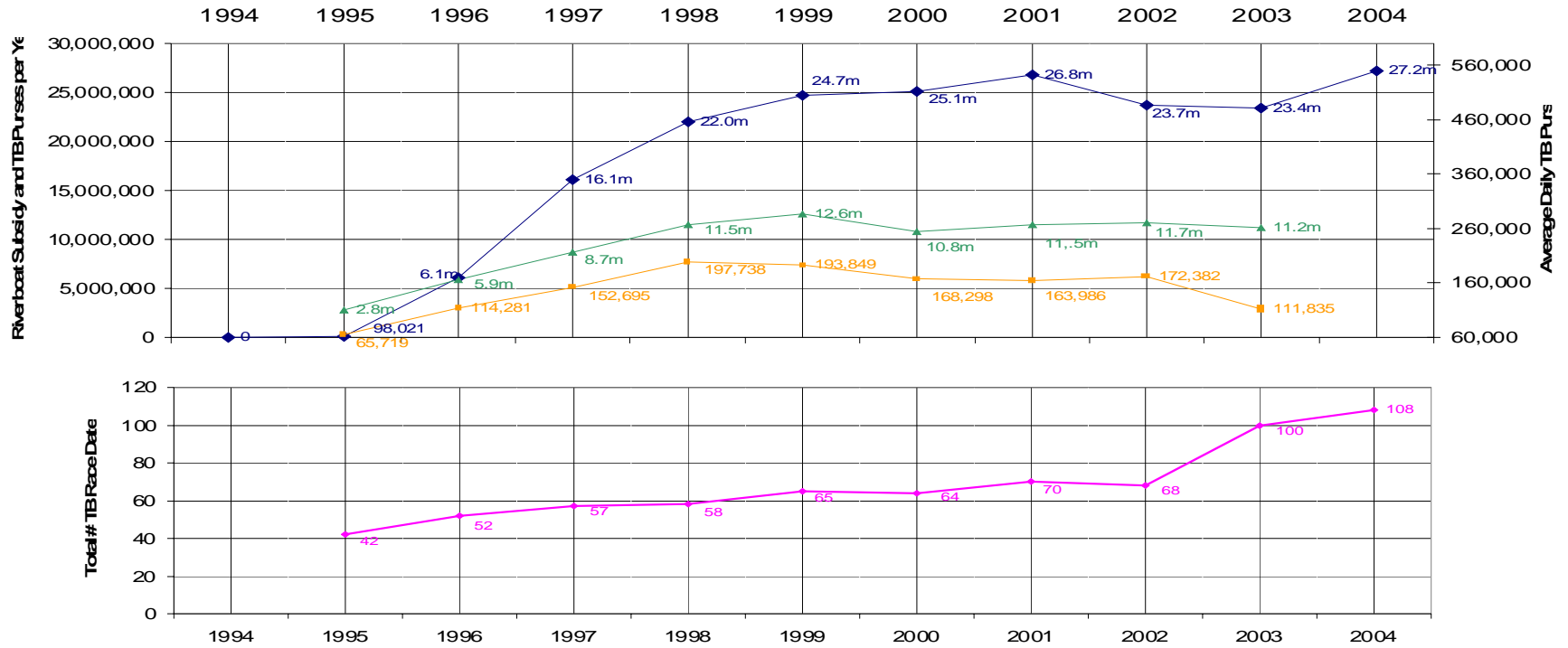
Indiana Horseracing Purses and the Riverboat Subsidy (pp. 26-37; all in calendar years)

Comparisons - Race Dates/Average Daily Purses *



*Chart includes Thoroughbred, Standardbred and Quarterhorse breeds and all tracks

Comparisons - Thoroughbred (TB) Race Dates/Avg Daily TB Purse *



Legend:

Total Riverboat Subsidy

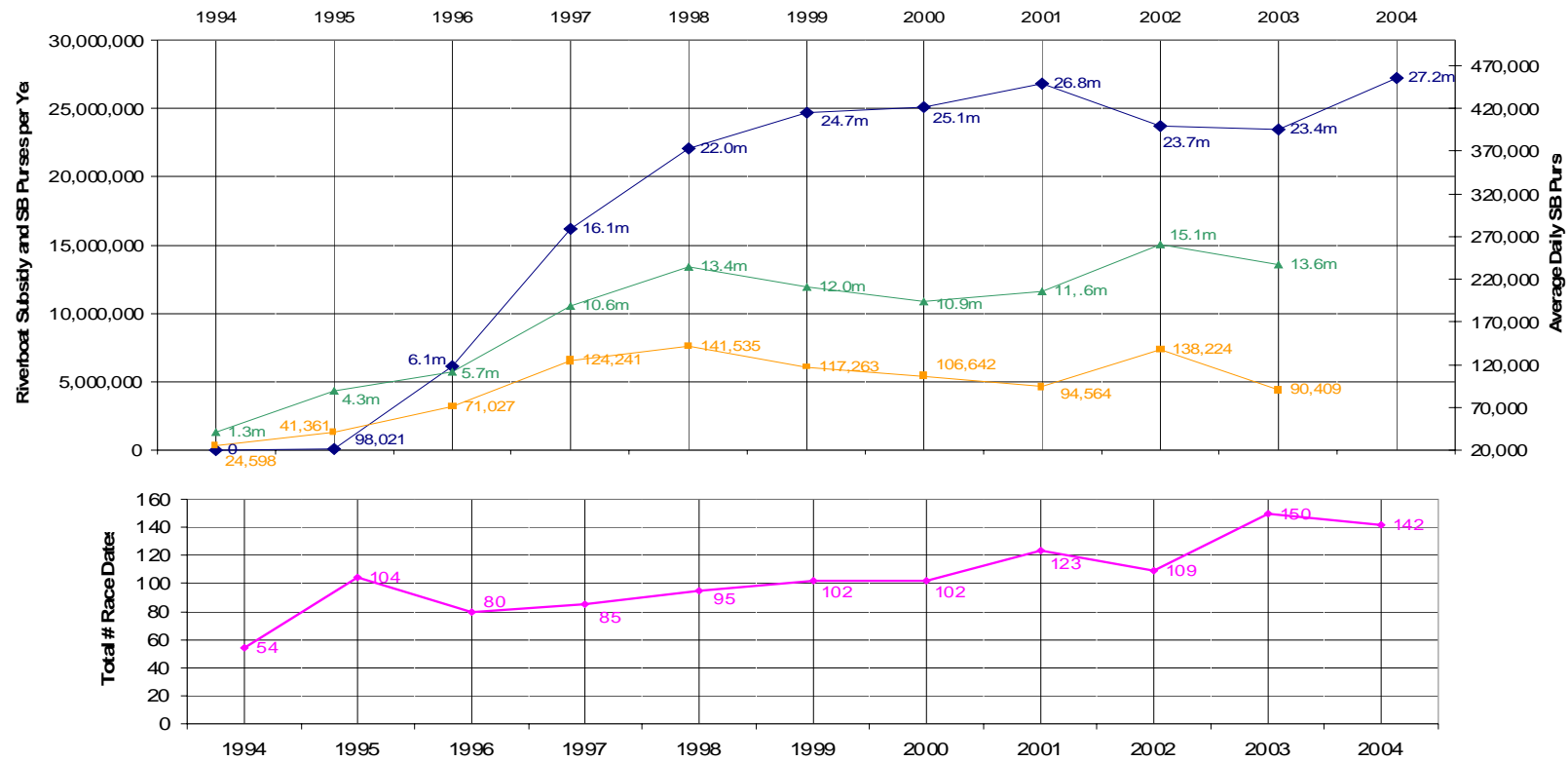
Total Thoroughbred Purses per Year

Average Daily Thoroughbred Purse

Total # Thoroughbred Race Dates

*Chart includes all tracks

Comparisons - Standardbred(SB) Race Dates/Avg Daily SB Purse *



Legend:

Total Riverboat Subsidy

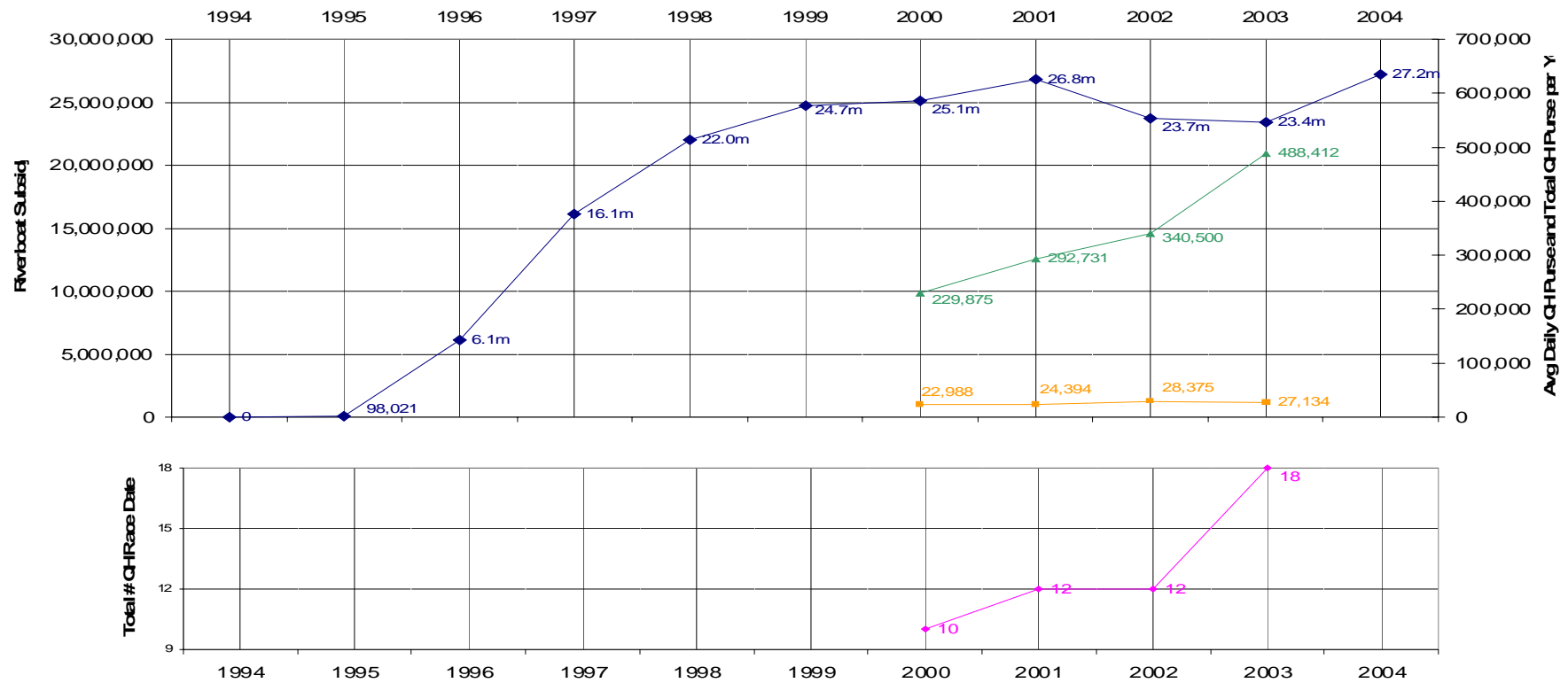
Total Standardbred Purses per Year

Average Daily Standardbred Purse

Total # Standardbred Race Dates

*Chart includes all tracks

Comparisons - Quarterhorse (QH) Race Dates/Average Daily QH Purse *



Legend:

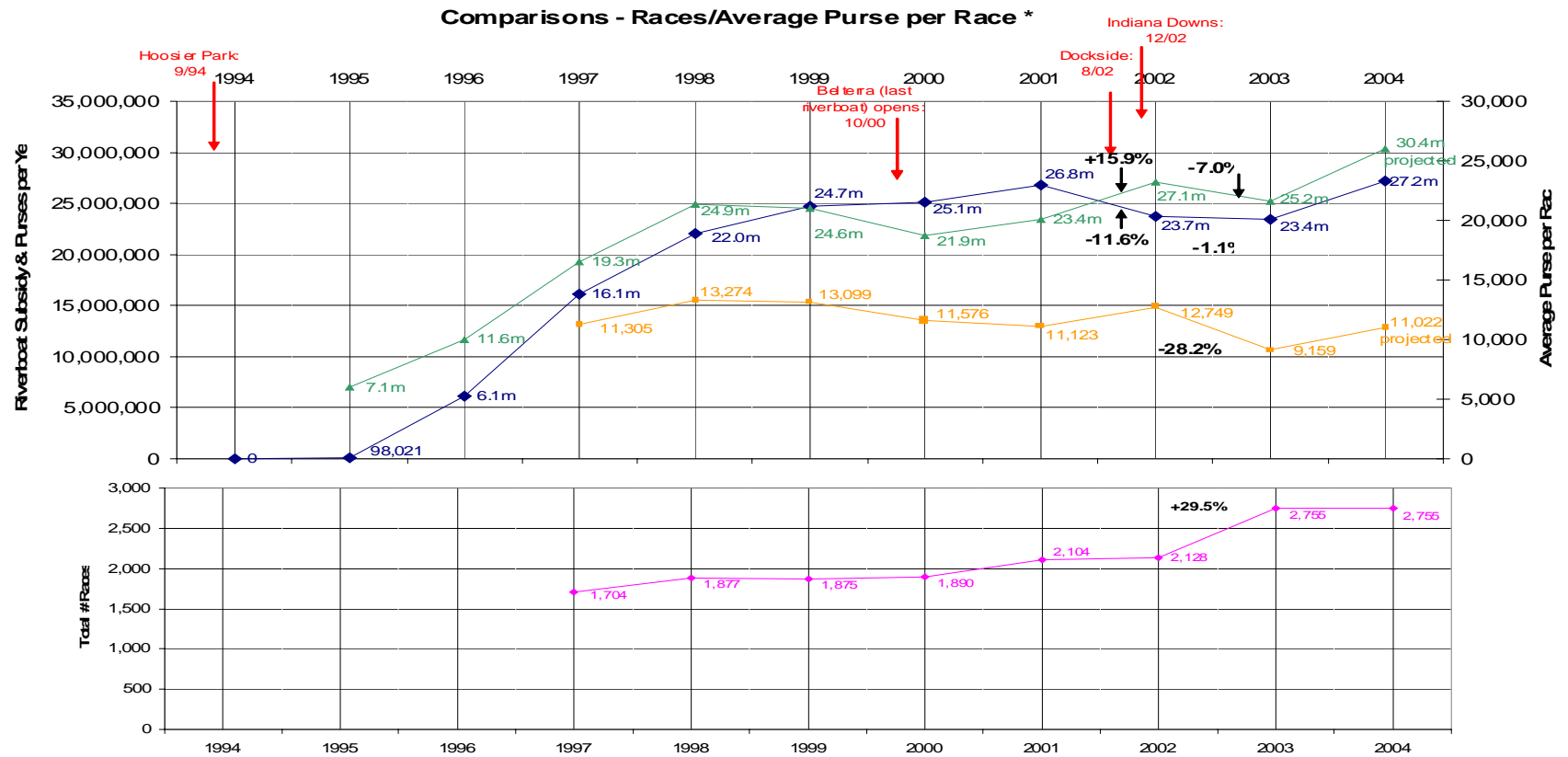
Total Riverboat Subsidy

Total Quarterhorse Purses per Year

Average Daily Quarterhorse Purse

Total # Quarterhorse Race Dates

*Chart includes all tracks



Legend:

Total Riverboat Subsidy

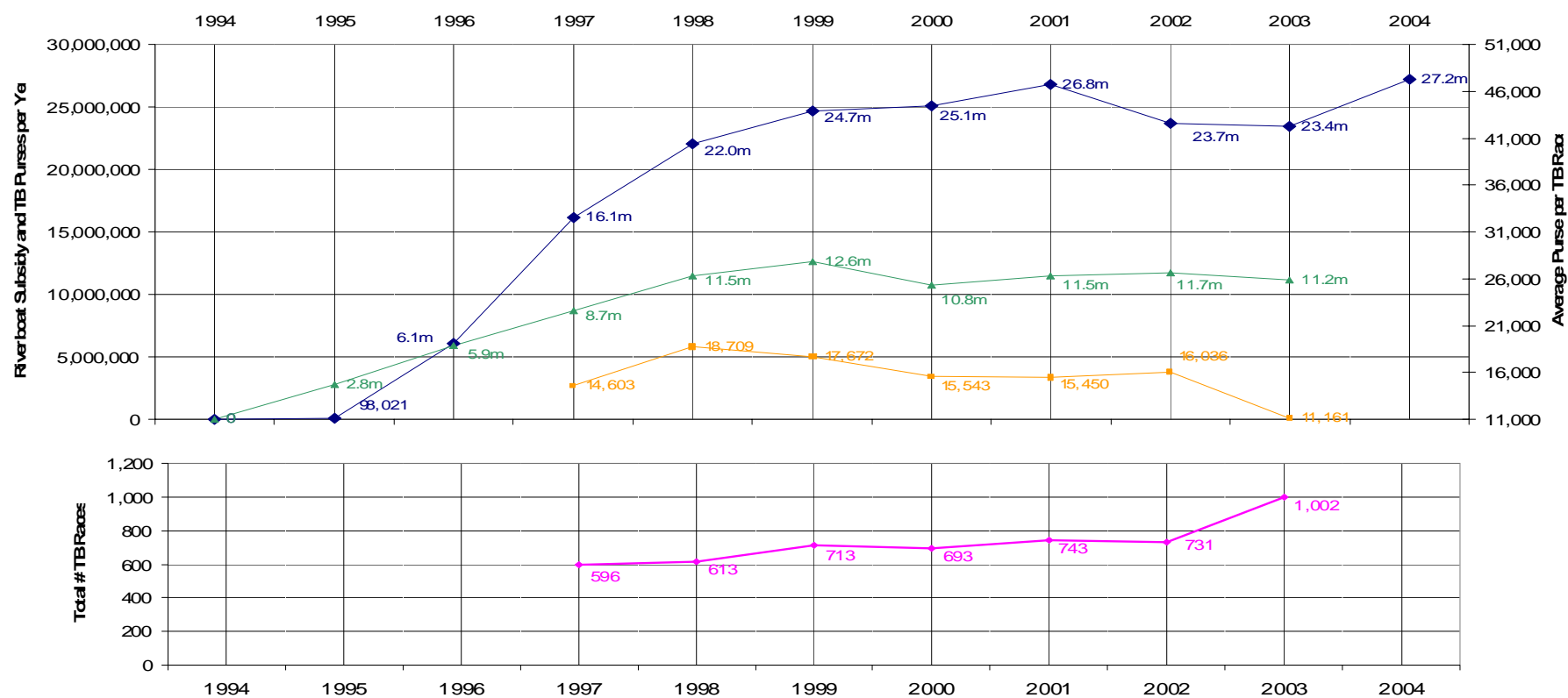
Total Purses per Year

Average Purse per Race

Total # Races

*Chart includes Thoroughbred, Standardbred and Quarterhorse breeds

Comparisons - Thoroughbred (TB) Races/Avg Purse per TB Race *



Legend:

Total Riverboat Subsidy

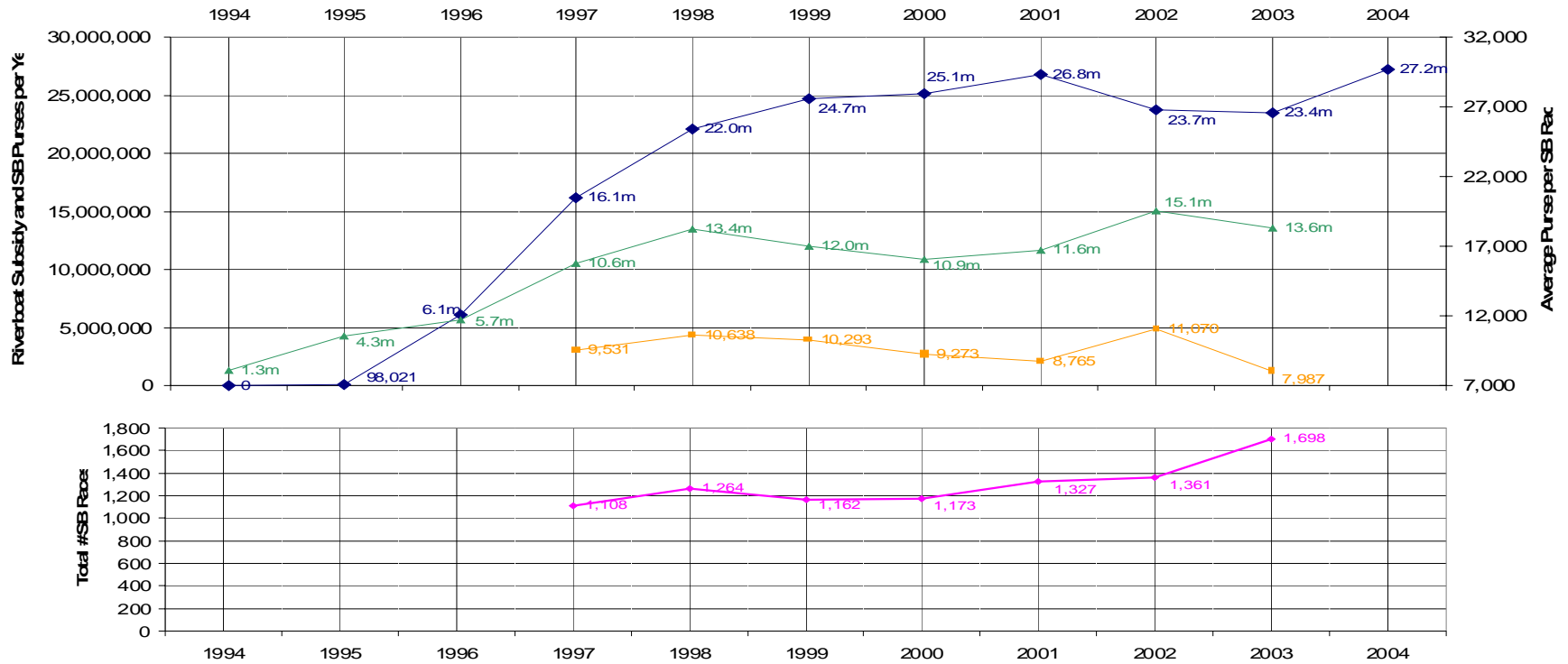
Total Purses per Year

Average Purse per Race

Total # Races

*Chart includes Thoroughbred, Standardbred and Quarterhorse breeds and all tracks

Comparisons - Standardbred(SB) Races/Avg Purse per SB Race *



Legend:

Total Riverboat Subsidy

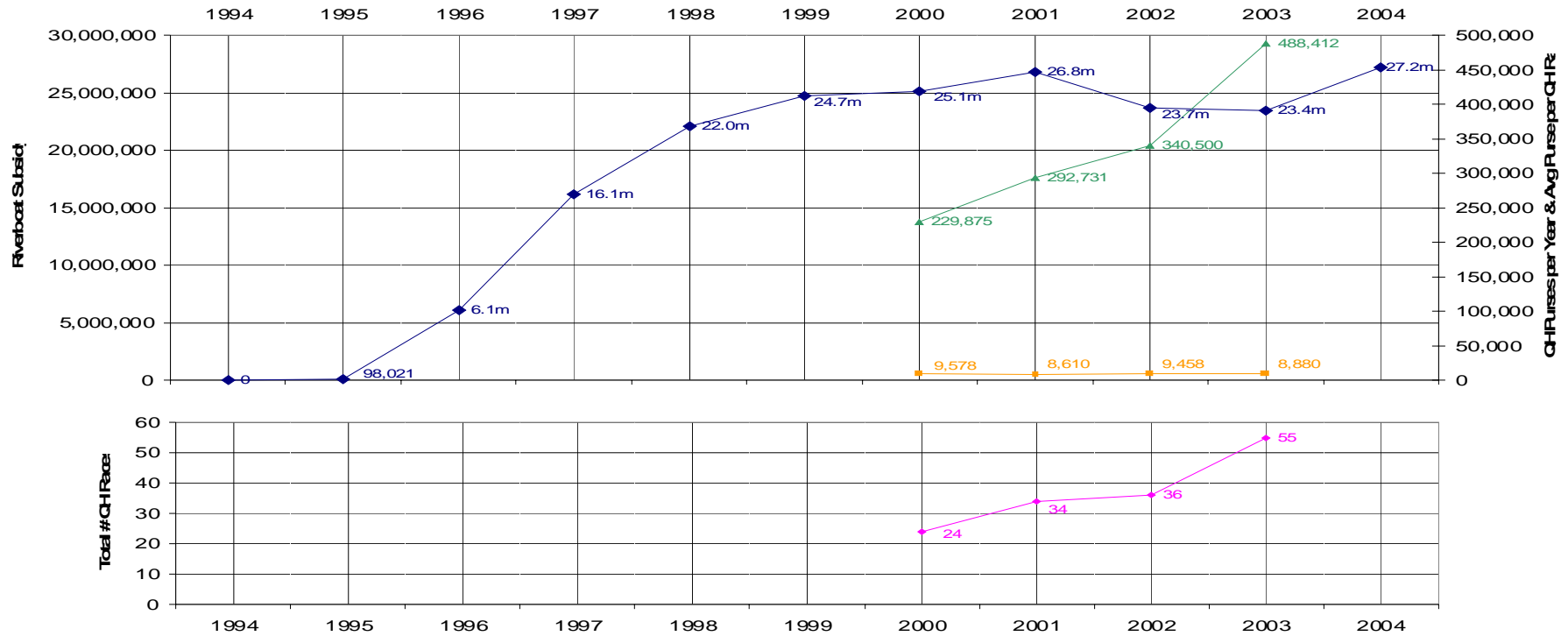
Total Standardbred Purses per Year

Average Purse per Standardbred Race

Total # Standardbred Races

*Chart includes all tracks

Comparisons - Quarterhorse (QH) Races/Avg Purse per QH Race *



Legend:

Total Riverboat Subsidy

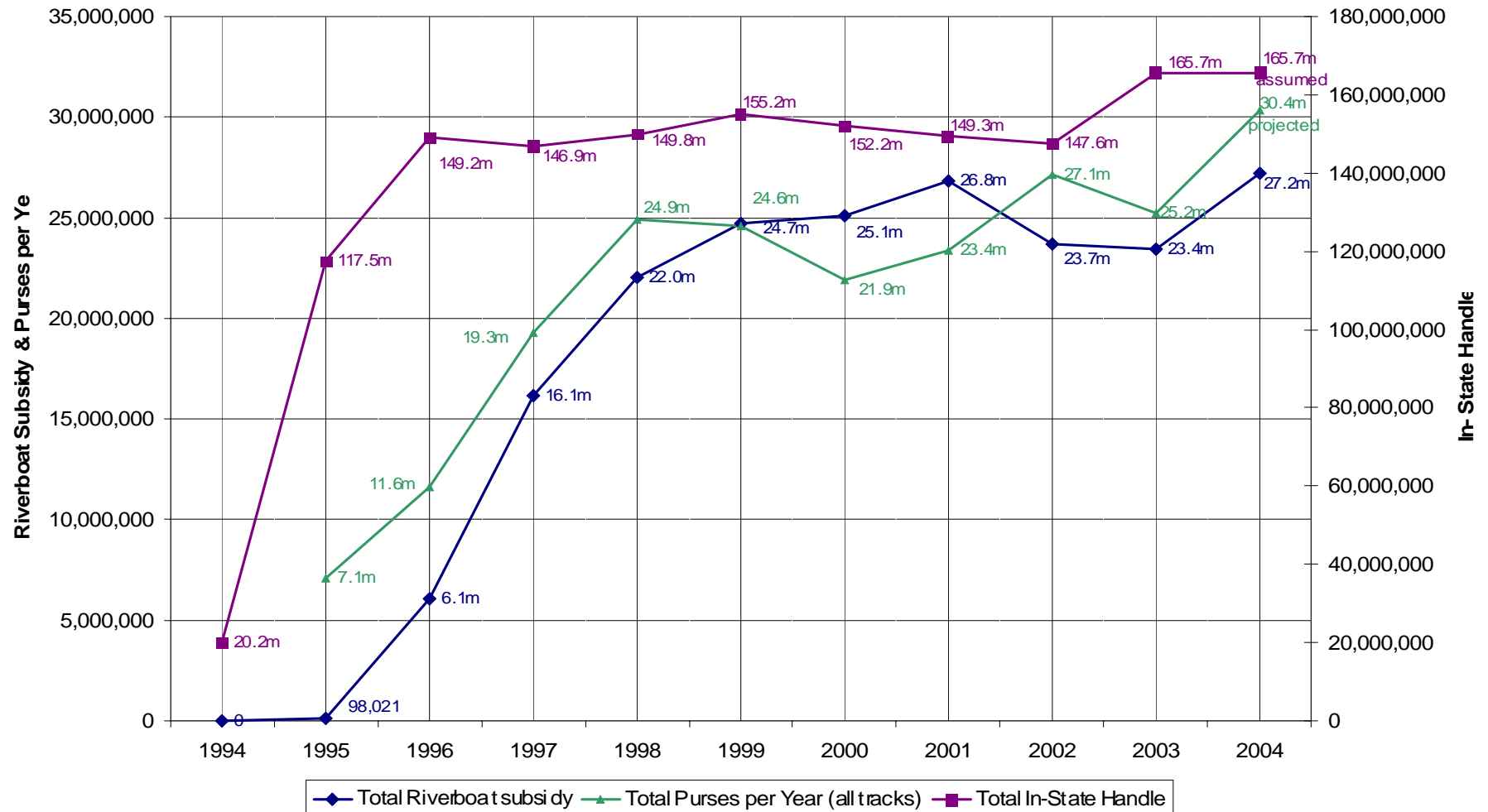
Total Quarterhorse Purses per Year

Average Purse per Quarterhorse Race

Total # Quarterhorse Races

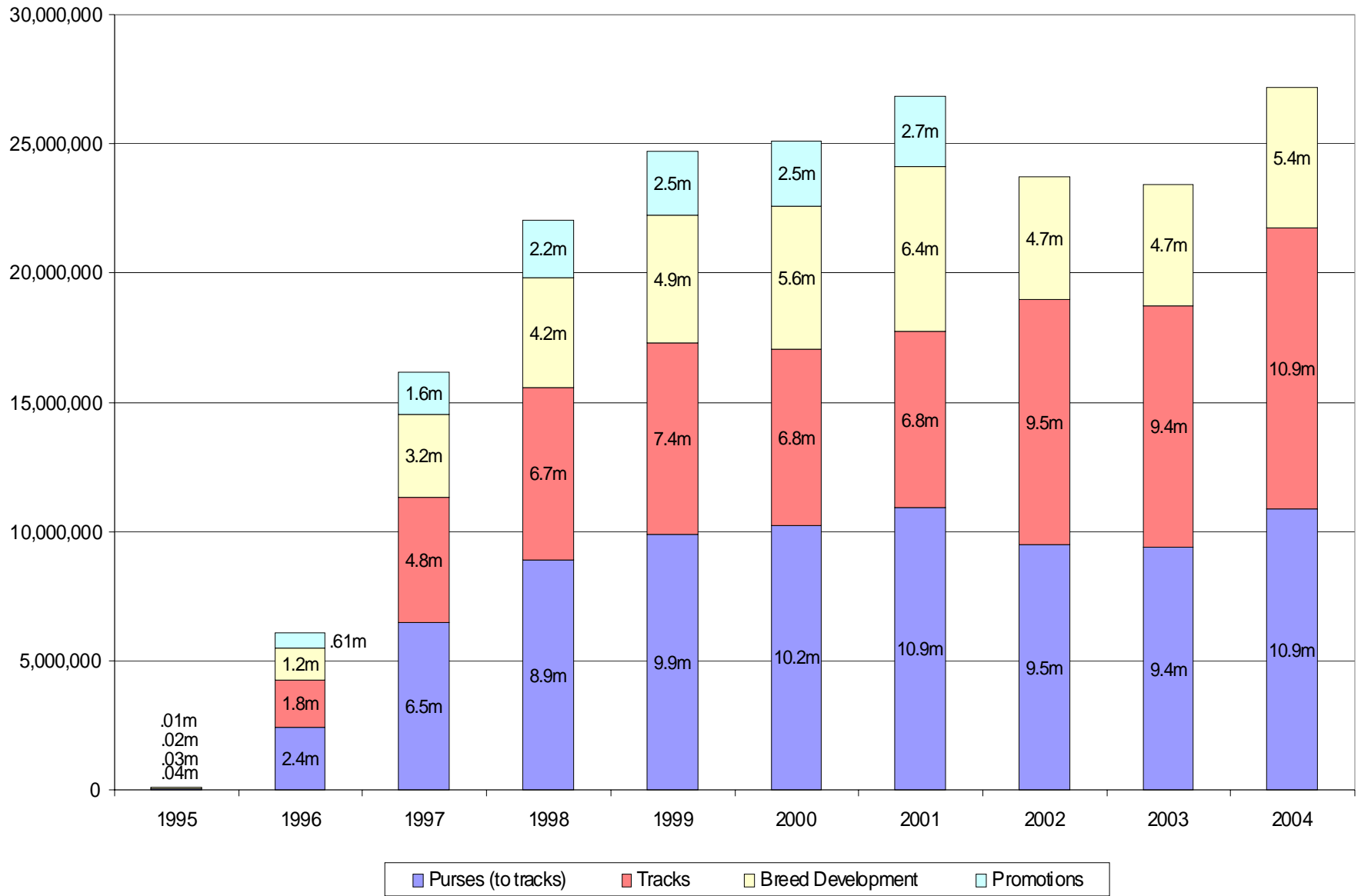
*Chart includes all tracks

Handle, Riverboat Subsidy and Purses per Year

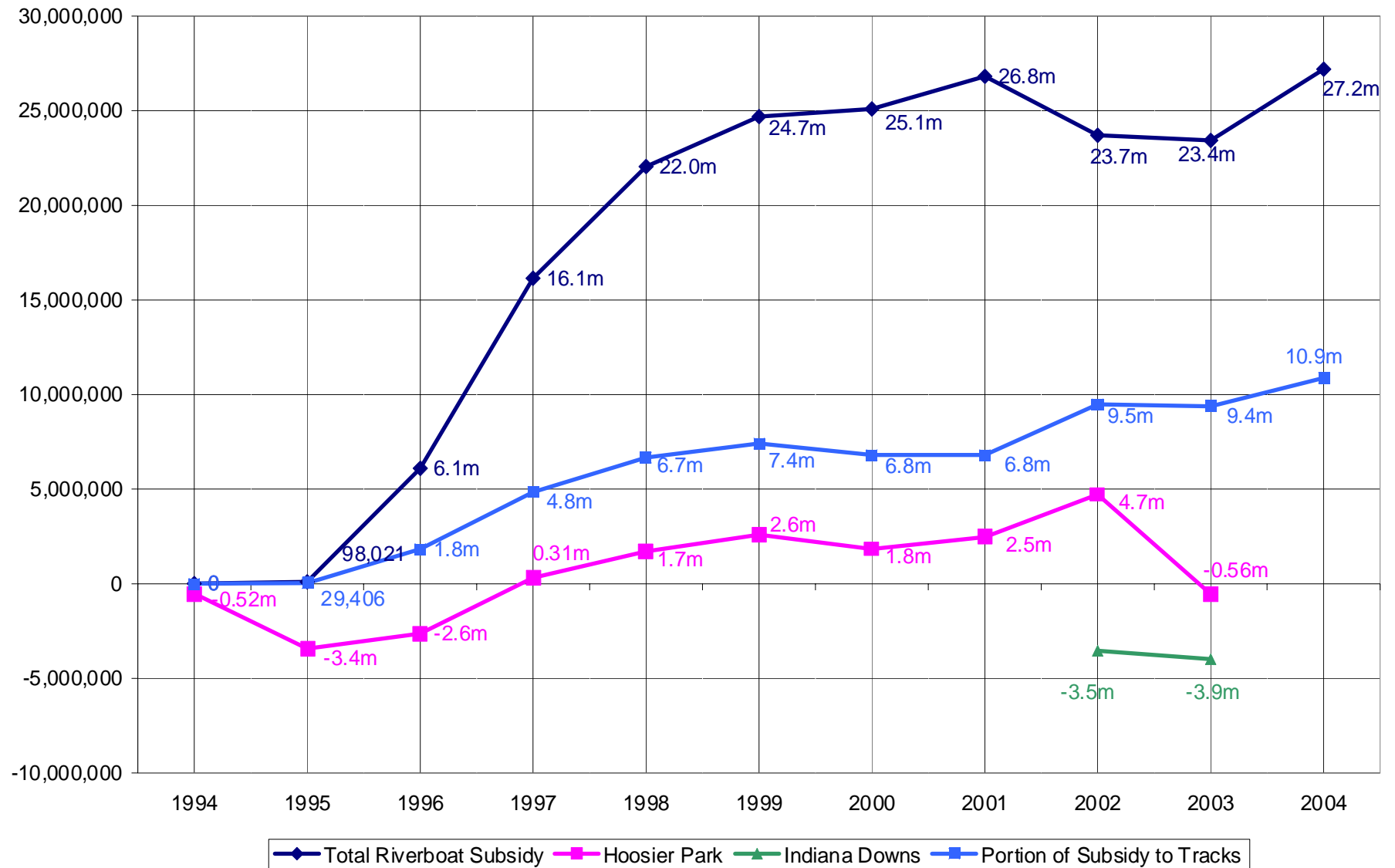


*Chart includes Thoroughbred, Standardbred and Quarterhorse breeds and all tracks

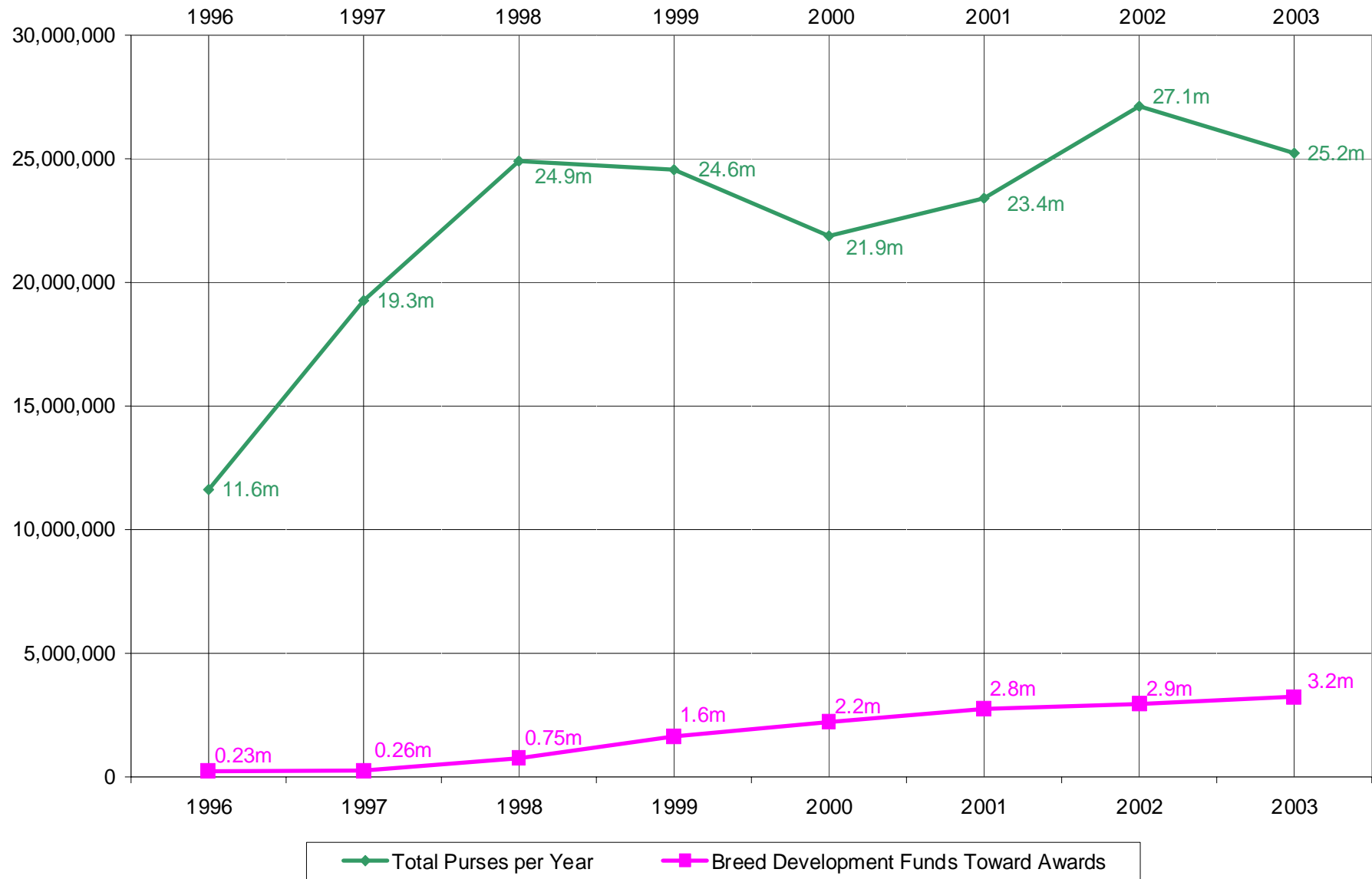
Division of Riverboat Subsidy



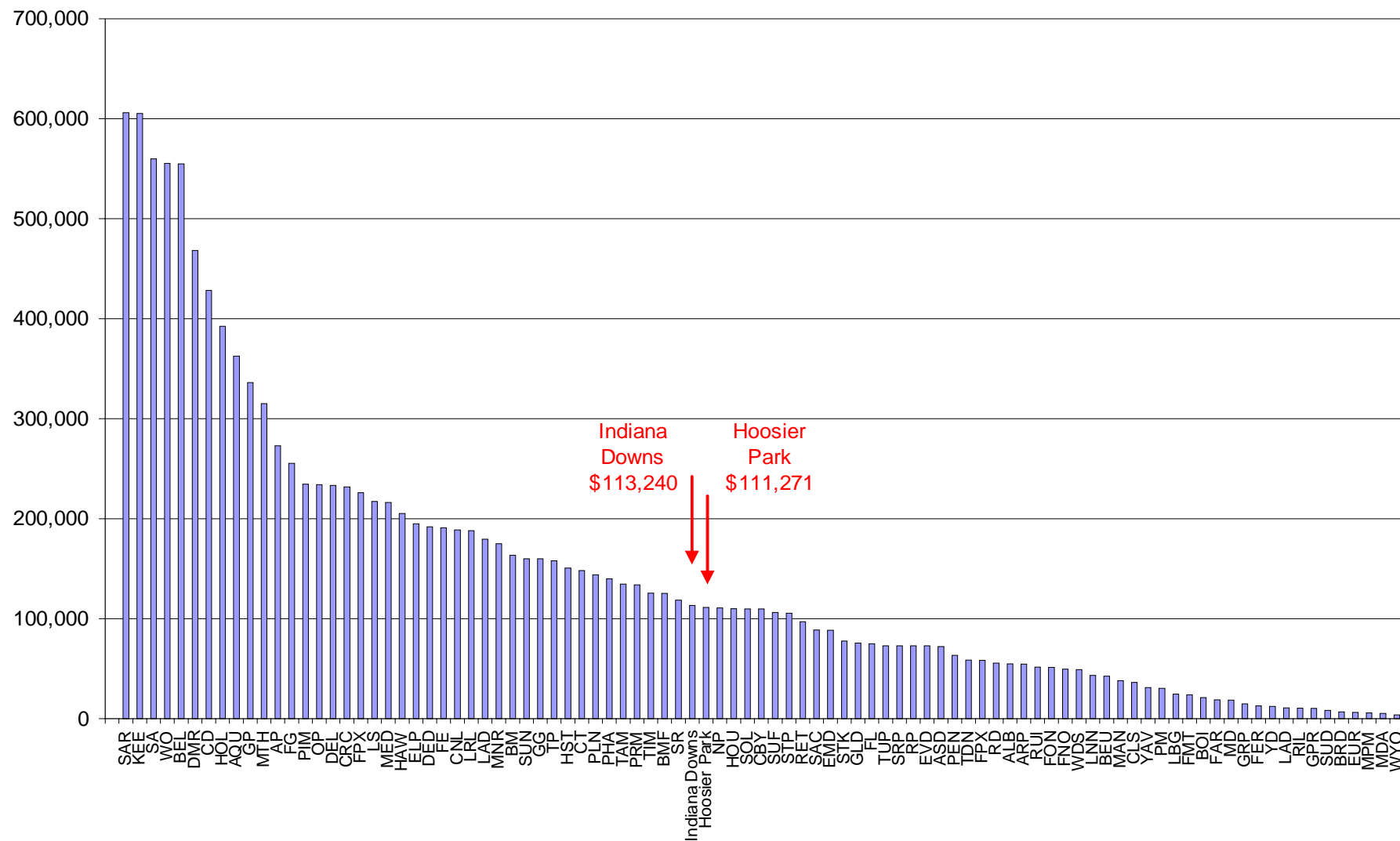
Riverboat Subsidy and Hoosier Park, Indiana Downs Net Earnings (or Loss)



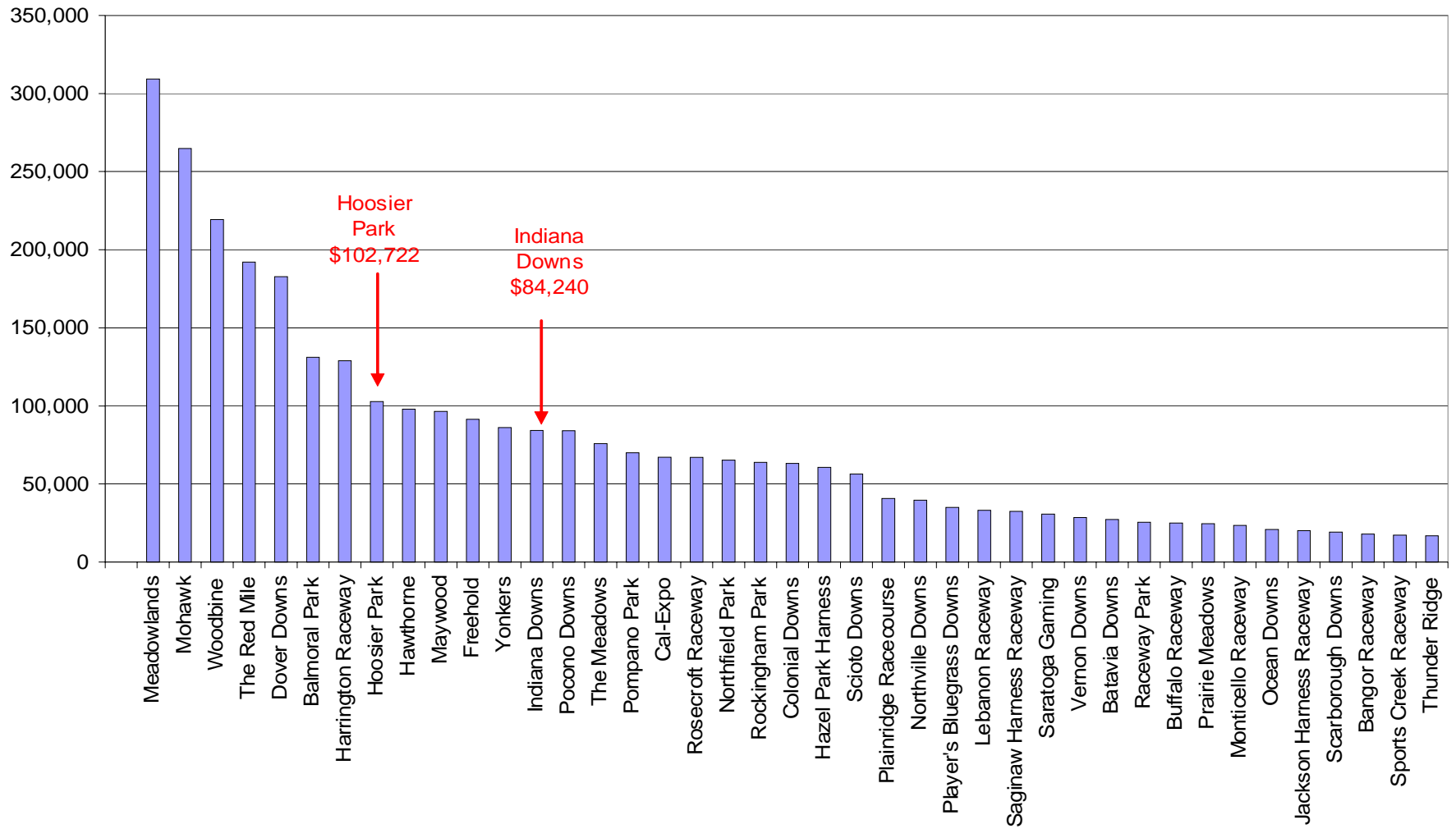
Award Money from Breed Development Programs & Total Purses Paid



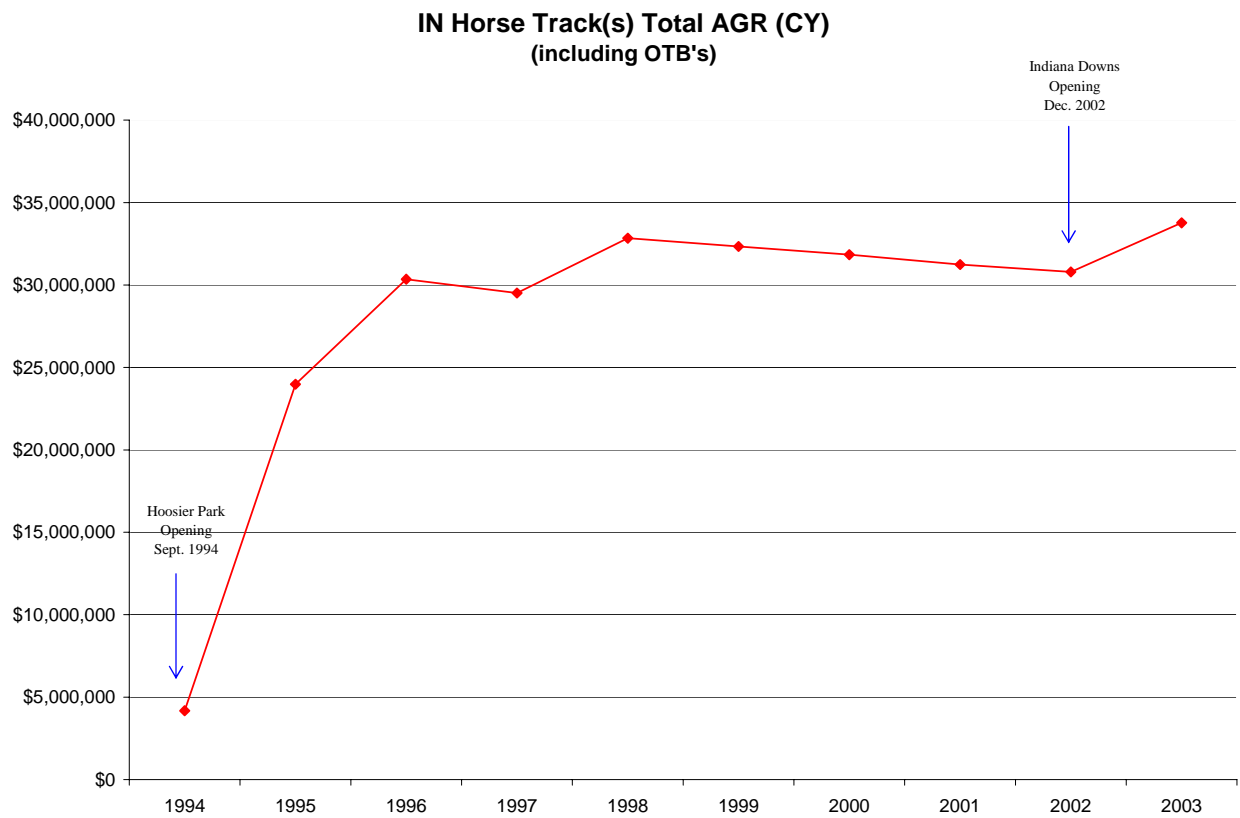
Thoroughbred Average Daily Purses - 2003



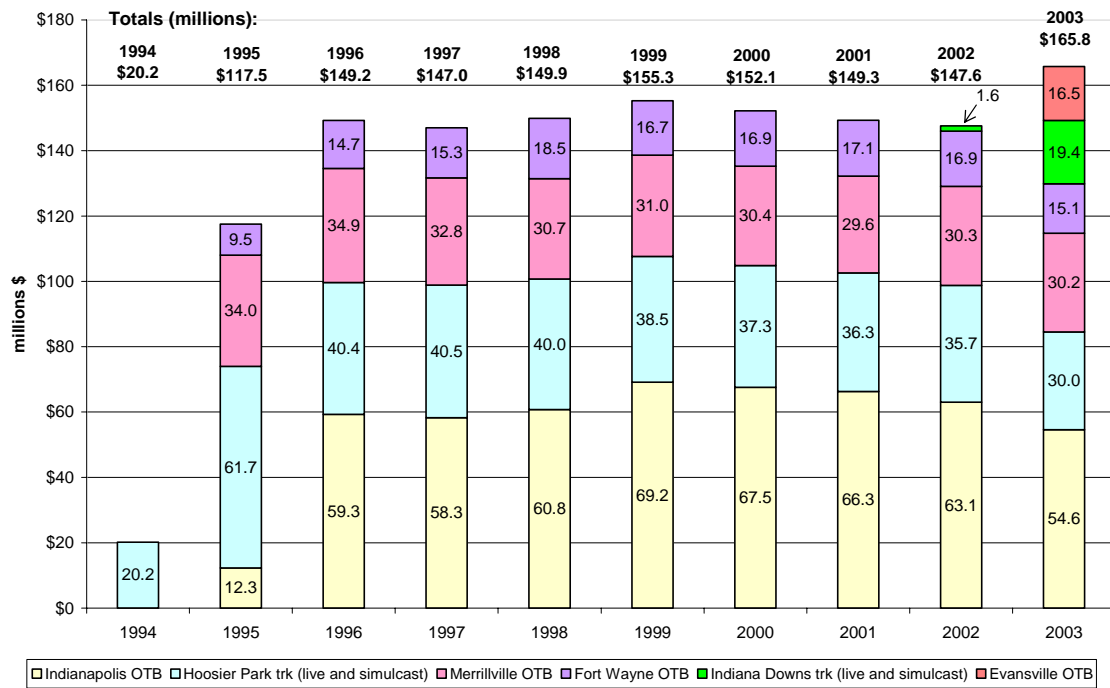
Standardbred Average Daily Purses - 2003



Data provided by the United States Trotting Association

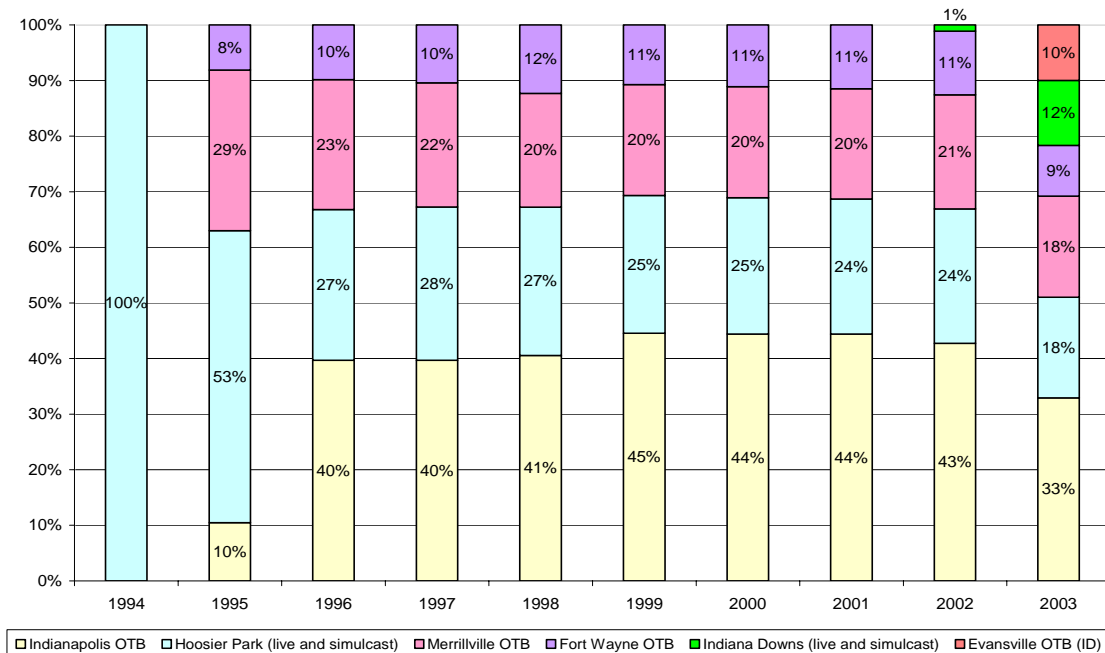


Horse Track and OTB (Satellite Facility) CY Handles



These two charts show the distribution of the horse racing handle at the two horse track locations (Hoosier Park in Anderson and Indiana Downs in Shelby County) and the OTB's (satellite facilities) owned and operated by Hoosier Park and located in Indianapolis, Merrillville, and Fort Wayne. Indiana Downs opened as a track for racing and simulcasting in December 2002 and opened an OTB in Evansville in February 2003 and Clarksville in March 2004.

Horse Track and OTB (Satellite Facility) CY Handles by Percentage



D. Lottery

The Hoosier Lottery was the first type of legalized gambling in Indiana. The first lottery tickets in Indiana were sold on October 13, 1989 and the Hoosier Millionaire, the lottery's television show, debuted on October 28, 1989. The regulatory body for the Hoosier Lottery is the Lottery Commission. The website for the Hoosier Lottery is: www.hoosierlottery.com

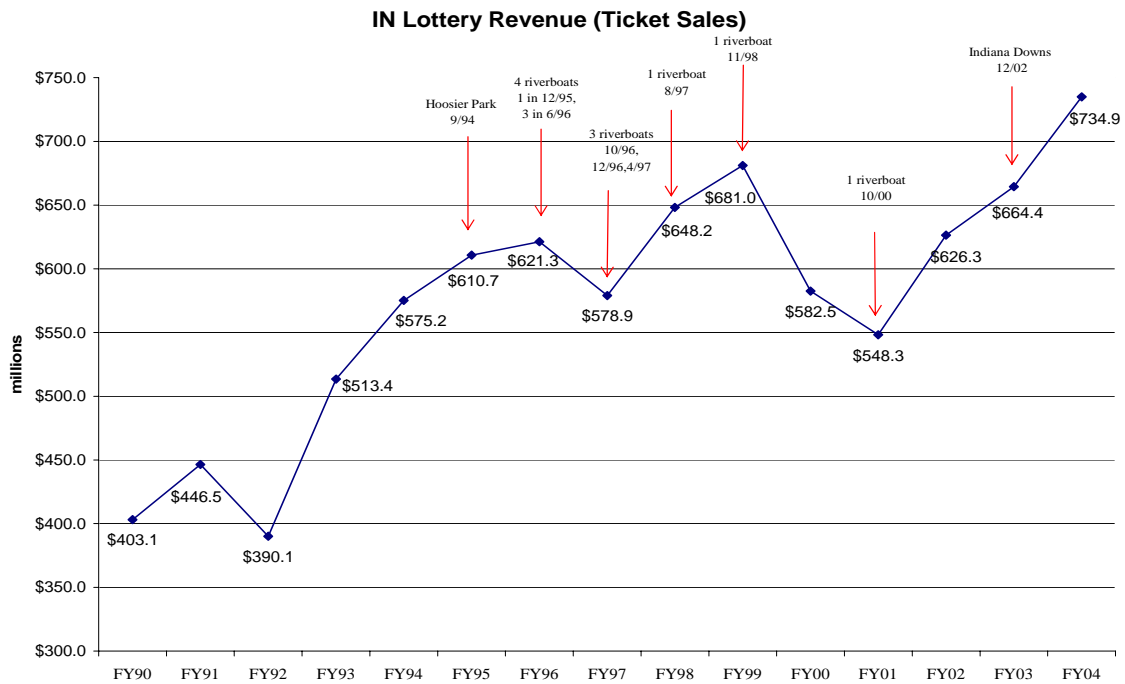
- According to a Gallup poll done in December of 2003, buying state lottery tickets is considered the most popular form of gambling. It was compared with 10 other forms of gambling. When asked if they gambled in the previous 12 months, "Buying a state lottery ticket" received 49% yes with "Visited a casino" coming in second at 30% yes.

The Hoosier Lottery achieved record sales in 2004. Lottery revenues consist of ticket sales and are distributed as shown in Table H. In FY04, \$195.8 million was forwarded to the State Treasury. Money is spent toward teacher, police and firefighter pensions, as well as toward lowering license plate taxes.

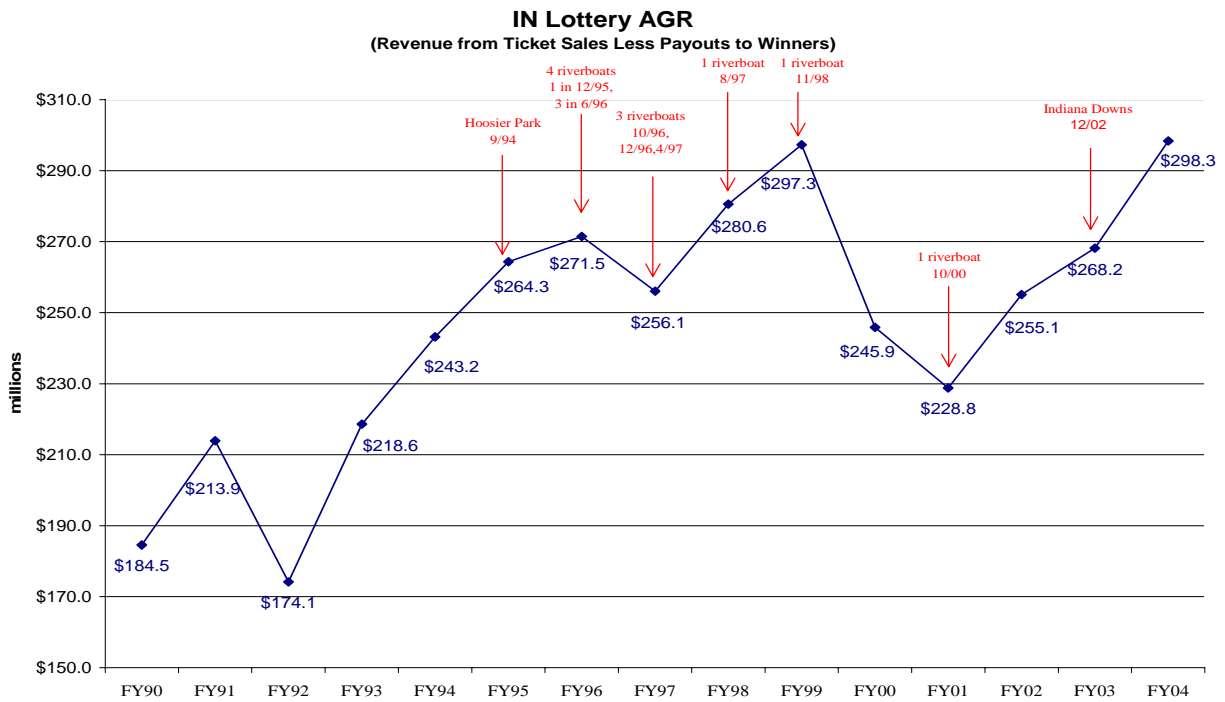
TABLE H: Lottery Revenue Distribution*

Out of each dollar of revenue the following amounts go to:	
2¢	Advertising and Promotions
2¢	Salaries, Administrative Expenses and Net Other Income/Expense
10¢	Retailers and Suppliers
29¢	Profits/Benefits to State
57¢	Payouts/Prizes to Players

*From Hoosier Lottery website

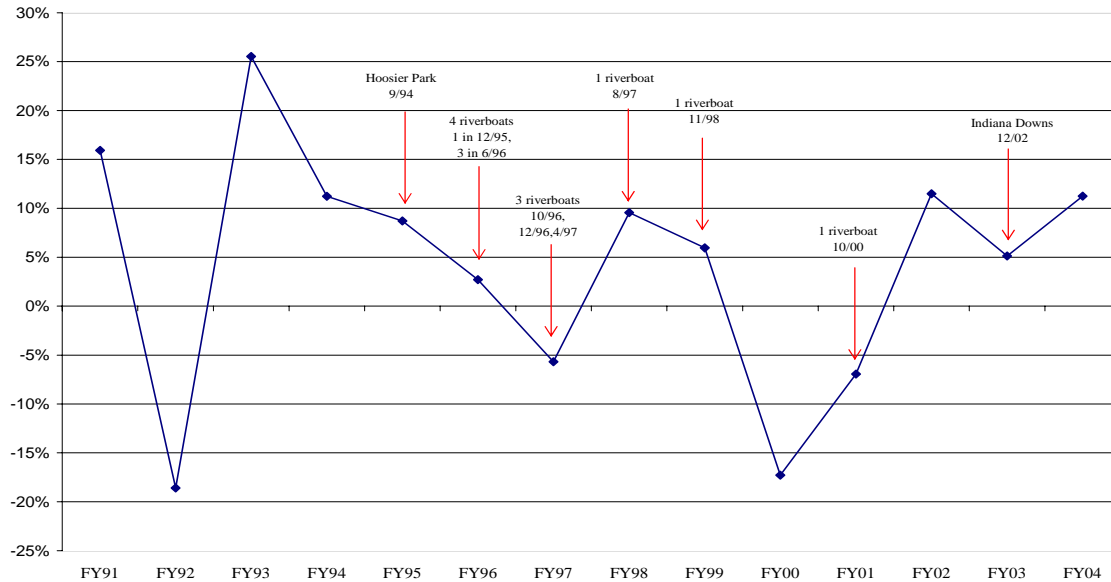


Opening dates of horse tracks and riverboats are noted with red arrows on the above graph. These numbers refer to all revenue received from ticket sales. According to a study by the Center for Policy Analysis University of Massachusetts Dartmouth (May 2004), of the 38 legalized state lotteries, nine reported sales declines in FY03. This study reported that despite the strength of casino gaming in Indiana, the lottery has continued to make a significant contribution to the state.



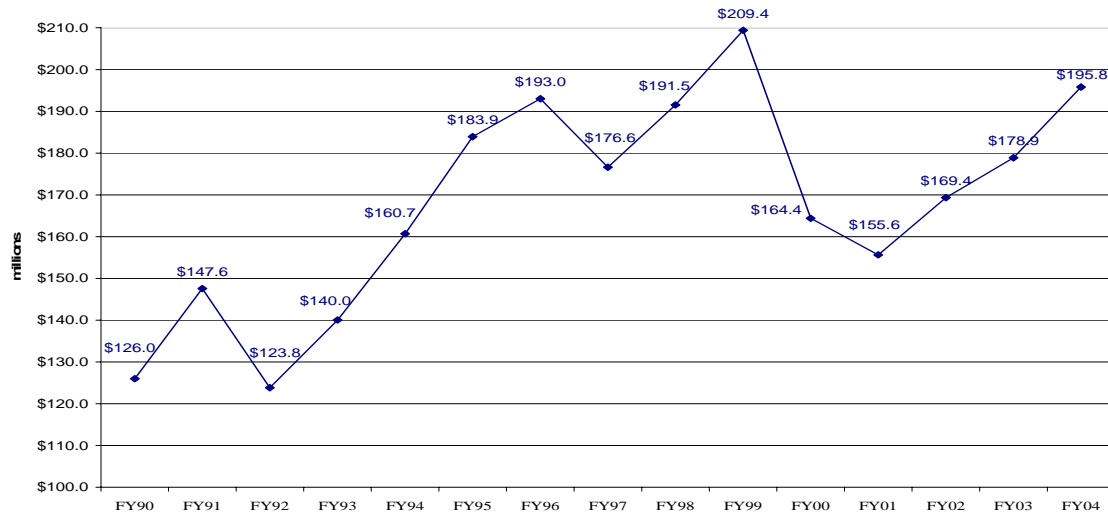
Opening dates of horse tracks and riverboats are noted with red arrows on the above graph.

Year Over Year Growth of IN Lottery AGR



The above chart depicts the growth rate of the total AGR on a FY to FY comparison basis. Opening dates of horse tracks and riverboats are noted with red arrows on the above graph.

IN Lottery: Distributions to the State Treasurer*

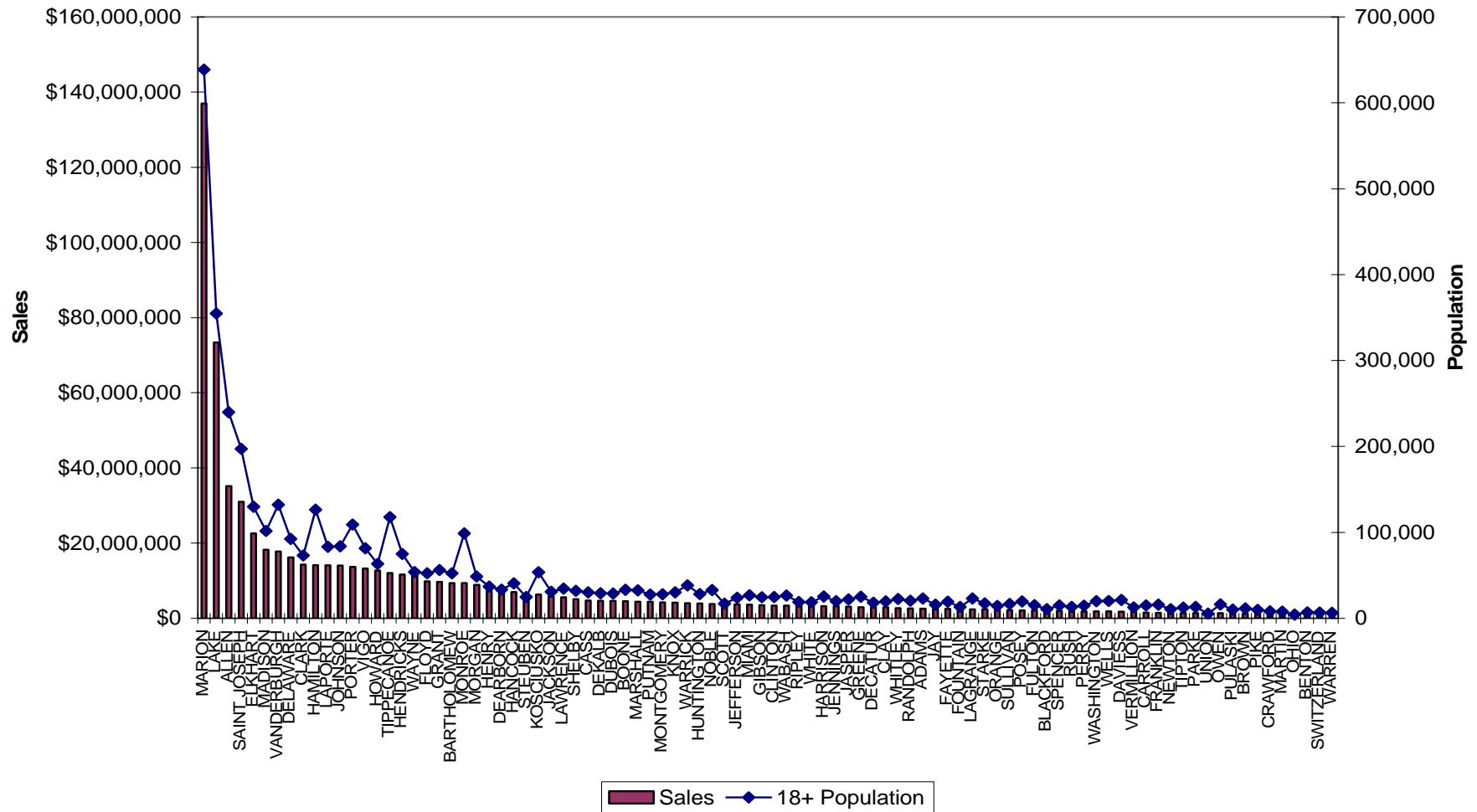


The above graph depicts distributions to the State Treasurer for FY90 (the Hoosier Lottery commenced operations in October 1989) through FY04.

*FY distribution to State Treasurer includes the distribution in July of each year for the Indiana Lottery FY quarter ending June 30; a slight variation therefore occurs between Indiana Lottery FY totals and "Distribution to State Treasurer" FY totals.

IN Lottery Sales & Population* by County FY04

*Does not include population under 18 years of age

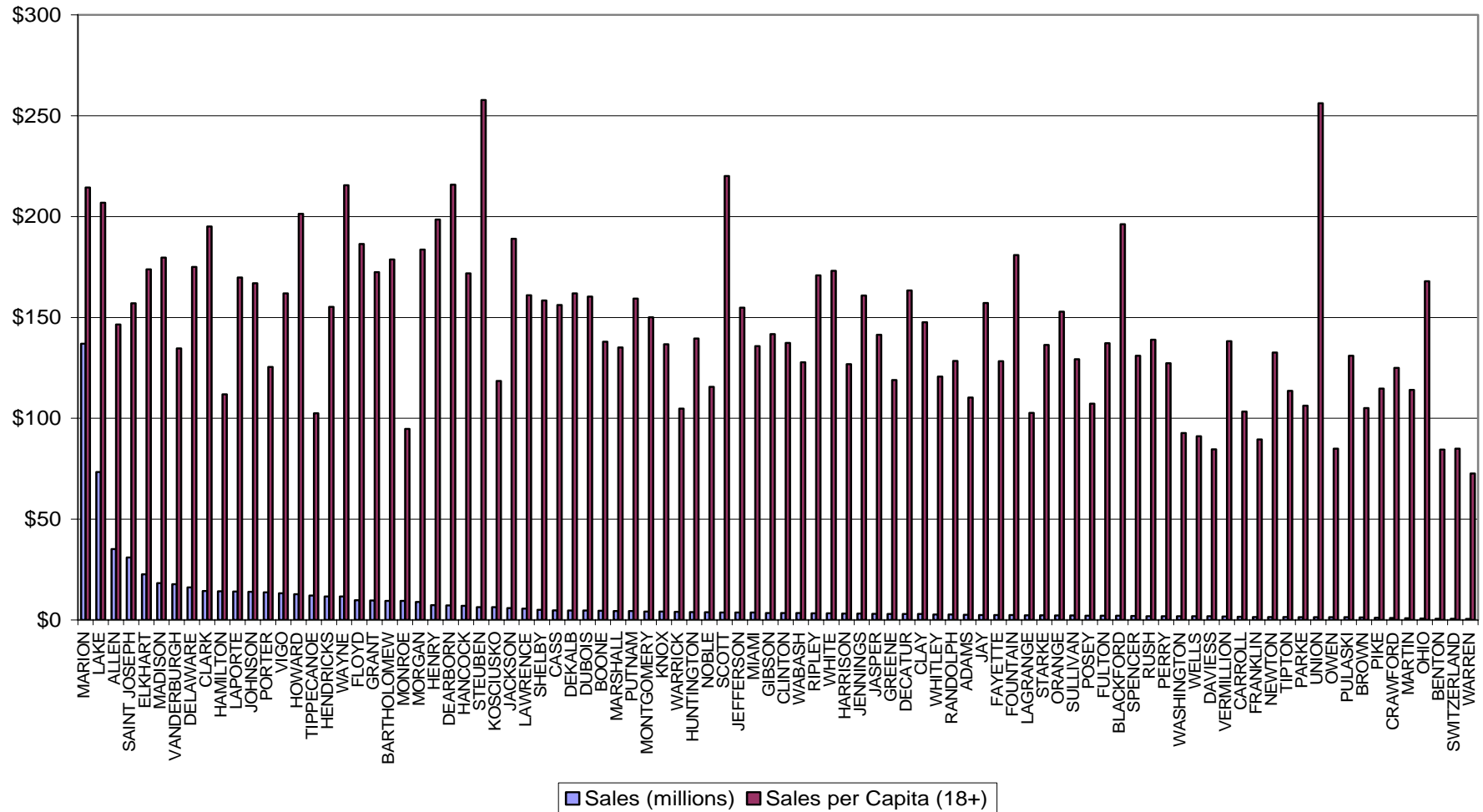


This graph shows that lottery sales by county tend to decline as population by county declines.

Chart based on information provided by the Indiana Lottery Commission and the 2000 US Census

IN Lottery Sales & Sales per Capita* by County FY04

*Does not include population under 18 years of age



Sales per capita are based on the dollar amount listed. The counties with the highest lottery sales are listed from left to right. Many counties with high per capita sales are contiguous to or near the states of Ohio, Kentucky, Illinois and Michigan.

Chart based on information provided by the Indiana Lottery Commission and the 2000 US Census

The following two tables show the individual county information (as shown in the previous graphs) for only the top 15 and lowest 15 counties in lottery sales and sales per capita (18+). Following these charts are two Indiana maps color-coded to show the locations of these counties.

TABLE I: Total Lottery Sales by County FY04

Range: \$451,824 to \$136,994,584		Average (mean): \$7,993,413	
15 Counties with Highest Sales	Sales	15 Counties with Lowest Sales	Sales
MARION	\$136,994,584	WARREN	\$451,824
LAKE	\$73,377,344	SWITZERLAND	\$567,314
ALLEN	\$35,136,164	BENTON	\$574,054
SAINT JOSEPH	\$30,969,347	OHIO	\$709,563
ELKHART	\$22,586,252	MARTIN	\$885,009
MADISON	\$18,246,534	PIKE	\$999,506
VANDERBURGH	\$17,795,867	CRAWFORD	\$1,120,257
DELAWARE	\$16,194,777	BROWN	\$1,205,298
LAPORTE	\$14,260,735	UNION	\$1,316,782
CLARK	\$14,153,754	OWEN	\$1,359,213
PORTER	\$14,107,487	PULASKI	\$1,369,191
VIGO	\$13,998,876	NEWTON	\$1,394,053
JOHNSON	\$13,679,233	PARKE	\$1,412,480
HAMILTON	\$13,217,955	TIPTON	\$1,421,212
HOWARD	\$12,731,293	FRANKLIN	\$1,424,924

	Total Lottery Sales by County	Lottery Sales Per Capita (18yrs+) by County
Range - FY03	\$402,253 to \$125,131,295	\$65 to \$213
Range - FY04	\$451,824 to \$136,994,584	\$73 to \$258
Mean - FY03	\$7,265,744	\$132
Mean - FY04	\$7,993,413	\$146

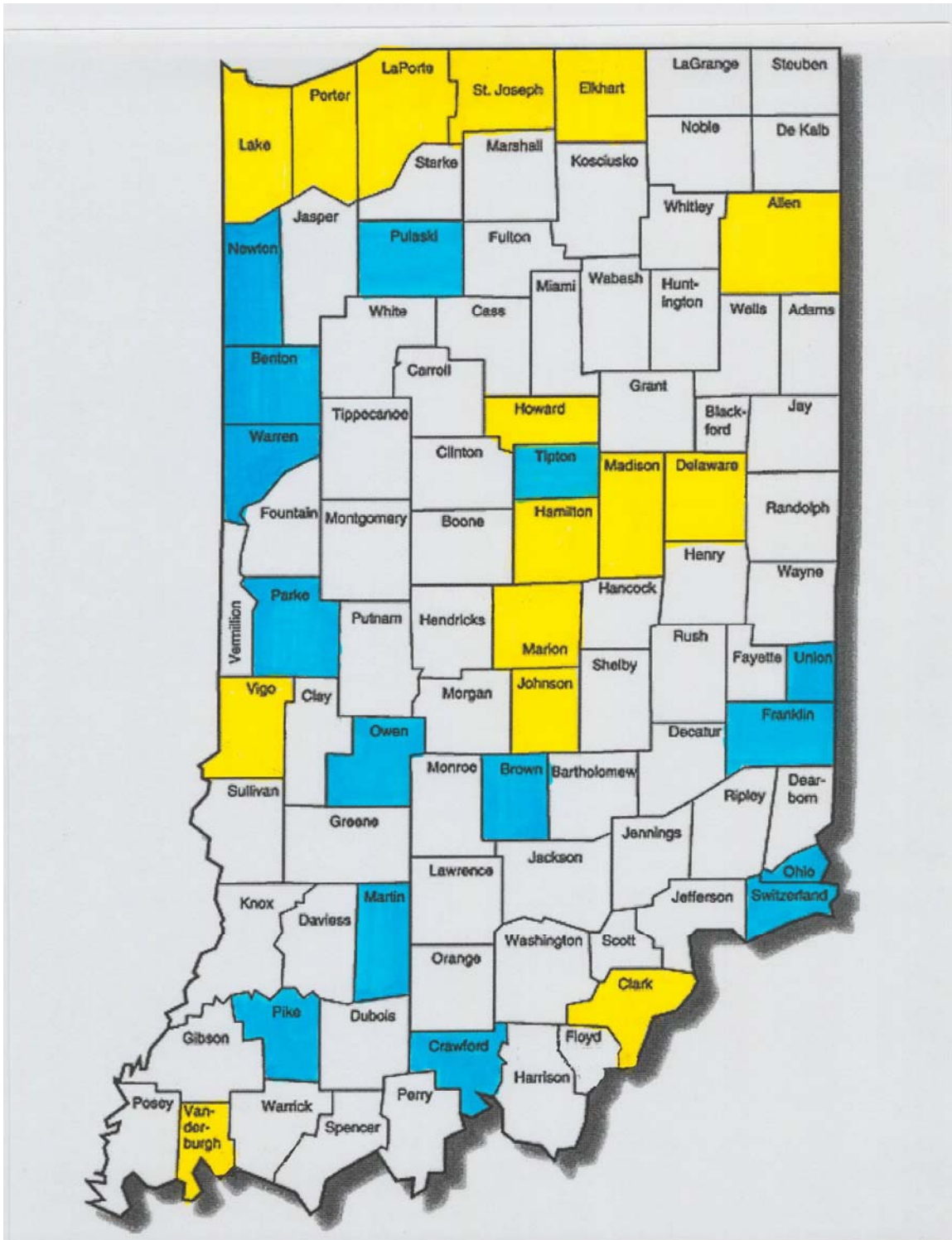
TABLE J: Lottery Sales Per Capita (18yrs+) by County FY04

Range: \$73 to \$258			Average (mean): \$146		
15 Counties with Highest Sales per Capita (18+):	Sales	Sales per Capita (18+)	15 Counties with Lowest Sales per Capita (18+):	Sales	Sales per Capita (18+)
STEUBEN	\$6,364,778	\$258	WARREN	\$451,824	\$73
UNION	\$1,369,191	\$256	BENTON	\$574,054	\$84
SCOTT	\$3,726,256	\$220	DAVIESS	\$1,792,475	\$85
DEARBORN	\$7,201,341	\$216	SWITZERLAND	\$567,314	\$85
WAYNE	\$11,613,170	\$216	OWEN	\$1,359,213	\$85
MARION	\$136,994,584	\$214	FRANKLIN	\$1,424,924	\$89
LAKE	\$73,377,344	\$207	WELLS	\$1,827,111	\$91
HOWARD	\$12,731,293	\$201	WASHINGTON	\$1,853,953	\$93
HENRY	\$7,304,461	\$199	MONROE	\$9,368,797	\$95
BLACKFORD	\$2,076,983	\$196	TIPPECANOE	\$12,066,488	\$102
CLARK	\$14,260,735	\$195	LAGRANGE	\$2,371,193	\$103
JACKSON	\$5,818,963	\$189	CARROLL	\$1,535,577	\$103
FLOYD	\$9,792,405	\$186	WARRICK	\$4,014,305	\$105
MORGAN	\$8,910,588	\$184	BROWN	\$1,205,298	\$105
FOUNTAIN	\$2,395,756	\$181	PARKE	\$1,394,053	\$106

LOTTERY SALES BY COUNTY FY04

Yellow = 15 highest

Blue = 15 lowest



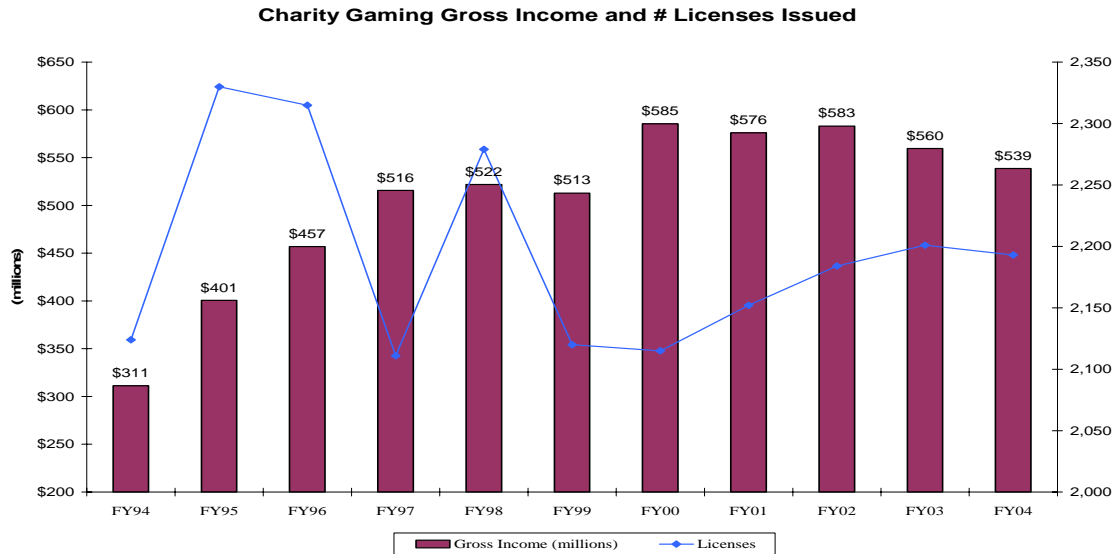
Based on data from the Indiana Lottery Commission and the 2000 US Census

Blue = 15 lowest

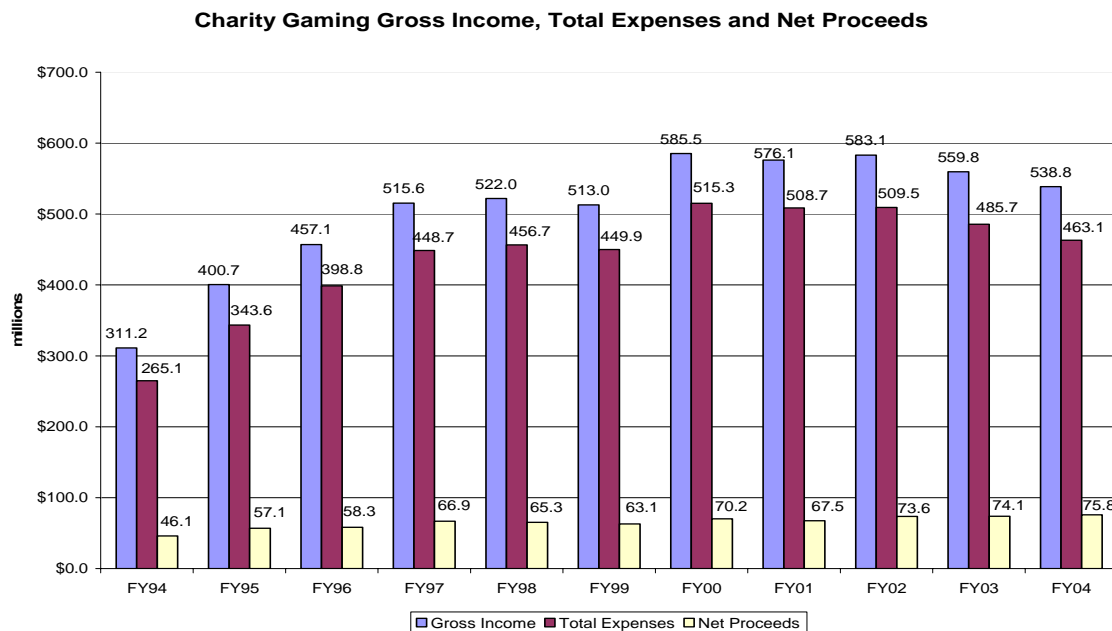


E. Charity Gaming

The Indiana Department of Revenue was charged with regulating charity gaming in June 1992. An organization must be a qualified not-for-profit organization and be licensed in order to legally conduct charity gaming events.

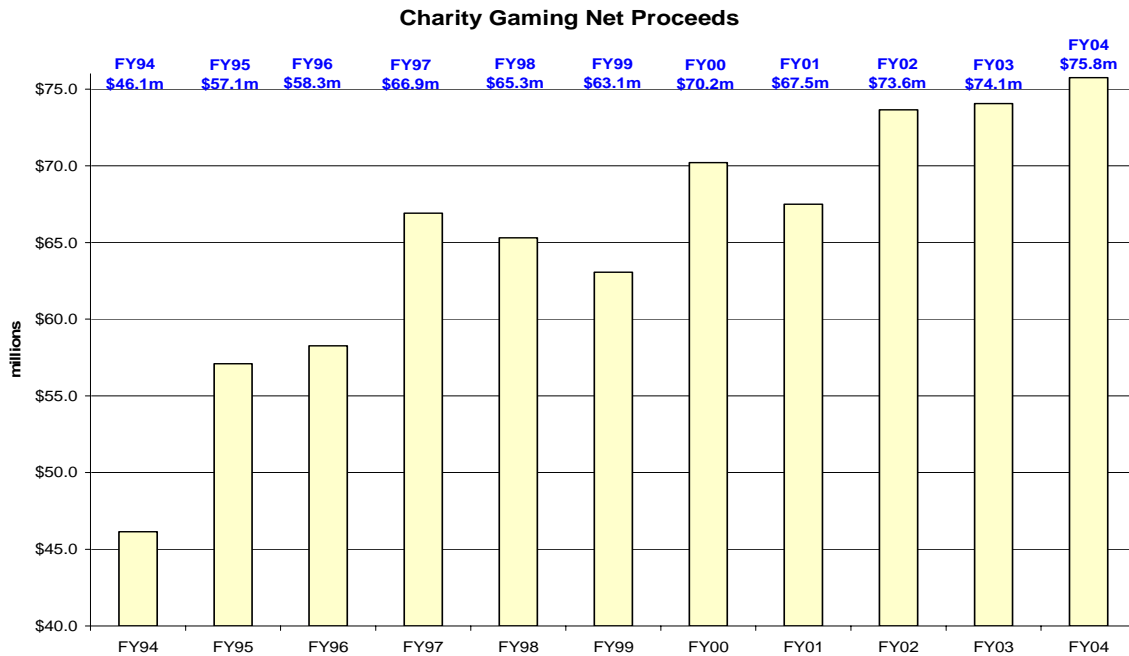


Gross Income refers primarily to income received from all charity gaming types and concessions. Charity gross income decreased \$23,863,345 from FY03 to FY04 and the number of licenses decreased from 2,201 in FY03 to 2,193 in FY04.

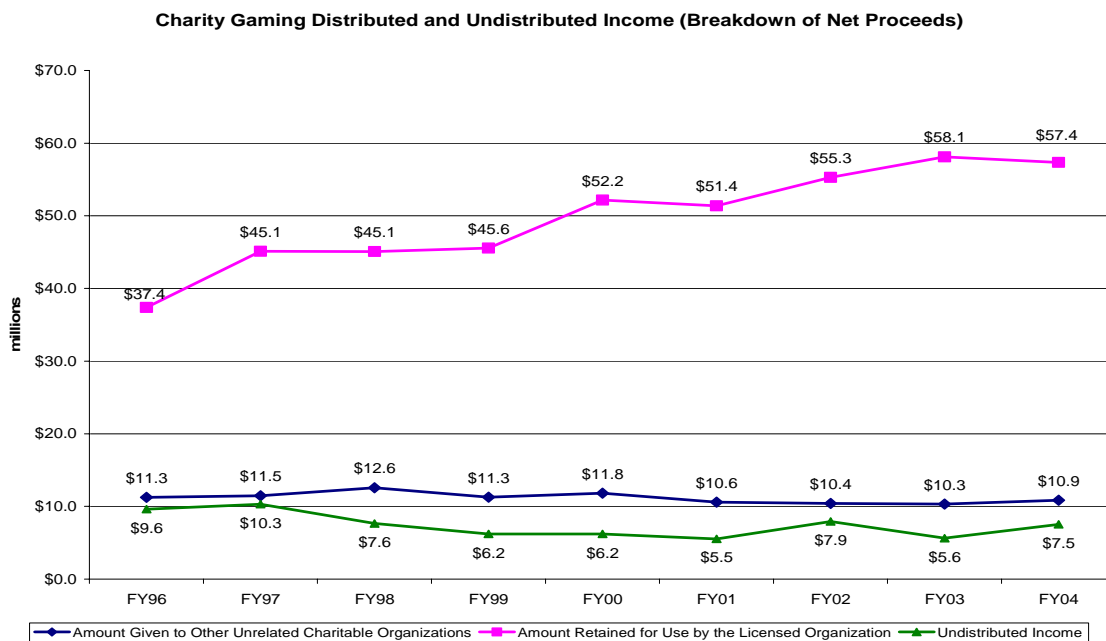


Gross Income, compared to Total Expenses (which include such items as prizes/payouts, supplies, rent, advertising and concessions) and Net Proceeds (available for charitable purposes). In FY94, Net Proceeds was referred to by the Indiana Department of Revenue as “profit”.

$$\text{Gross Income} - \text{Total Expenses} = \text{Net Proceeds}$$



Net Proceeds, which are available for charitable purposes, refer to the Gross Income less the Total Expenses.

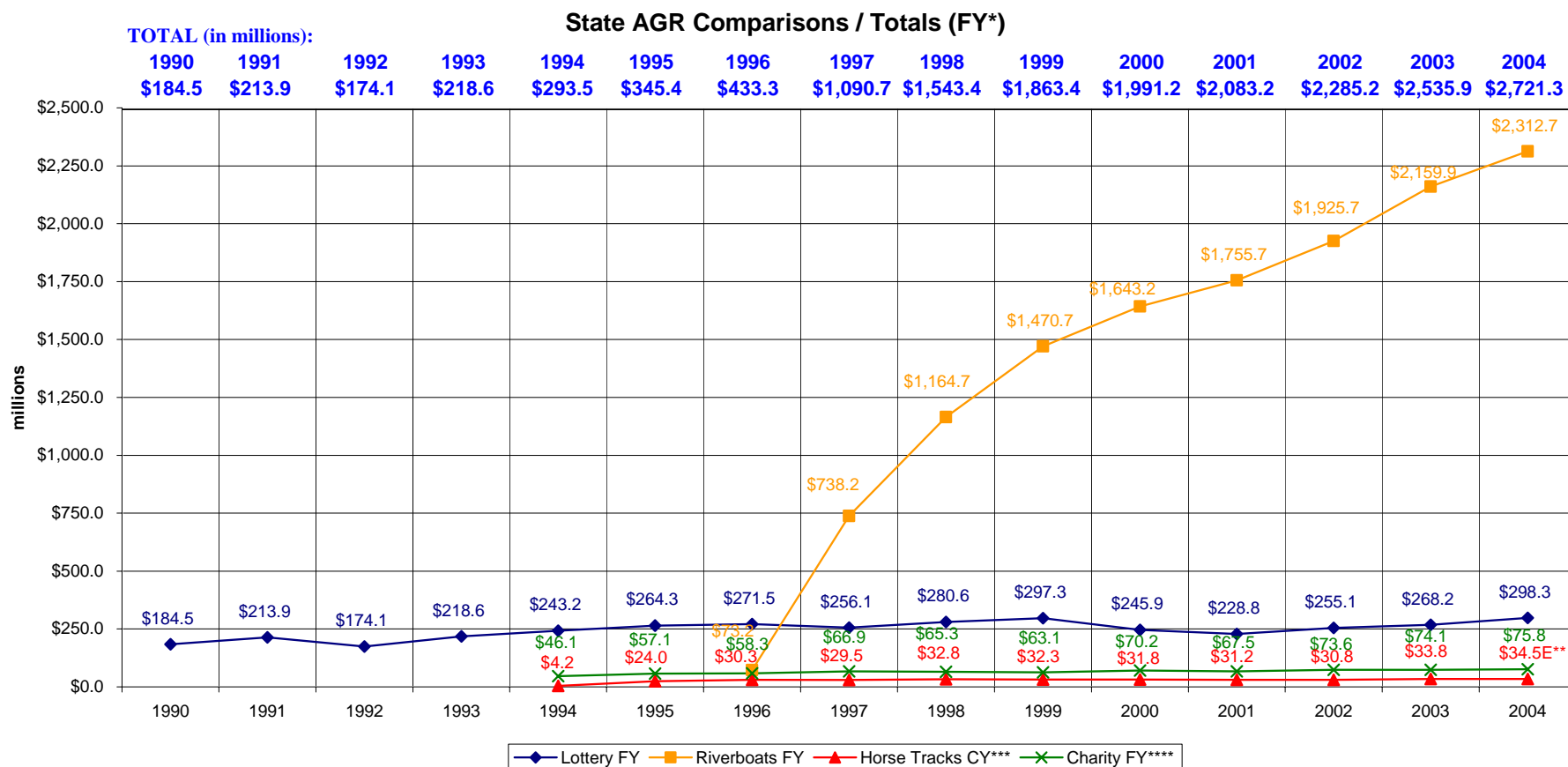


This graph shows the amount of money distributed to unrelated charitable organizations and the amount retained by the licensed charitable organization. These amounts together are referred to as “Distributed Income”. The graph also shows the total “Undistributed Income”. This is also referred to as charity gaming surplus revenue.

The Indiana Department of Revenue is required to remit a portion of charity gaming “Undistributed Income” to the Build Indiana Fund. License fees, excise taxes and penalties generate this revenue. Since FY97, \$34,330,000 has been deposited into the Build Indiana Fund.

F. Comprehensive Graphs

As noted in the introductory section on “Gaming in Indiana”, Adjusted Gross Receipts (AGR) is used as a measure of gaming activity. AGR refers to the amount patrons bet less the amount paid out to patrons. This could also be referred to as the loss by patrons per year. (See notes below chart for further information on Horse Track and Charity AGR calculations).



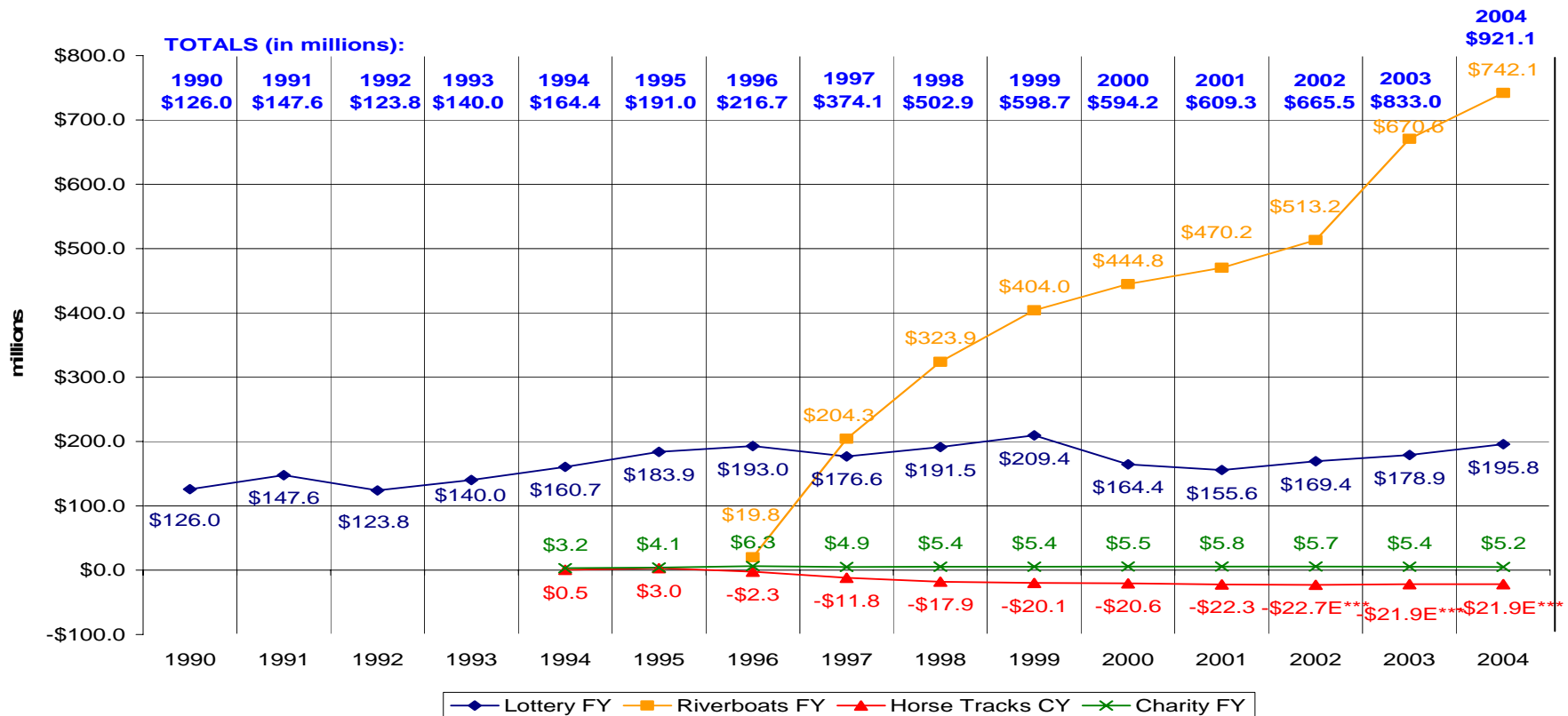
*Horse tracks are on CY.

**\$34.5m is estimated as the horse track AGR for CY04.

***Riverboat subsidy is included in horse track AGR.

****Charity AGR is based on charity gaming net proceeds.

Net State Gaming Tax Revenue* (FY**)



*Riverboat Admissions Tax Allocation (subsidy) to horse racing included.

**Horse Tracks are on calendar year from 1990 to 2001, then are based on fiscal year numbers from 2002 to 2004 to try to more accurately represent the riverboat subsidy and the recapture money.

*** \$5.3m was estimated as the horse track revenue to the state for FY04, \$5.3m for FY03 and \$4.5m for FY02.

Lottery: Includes amount paid to State Treasurer

Riverboats: Includes admissions tax + wagering tax

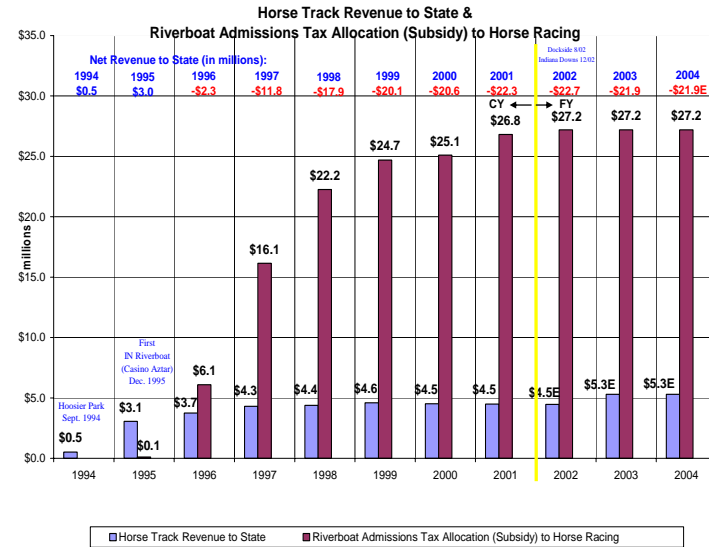
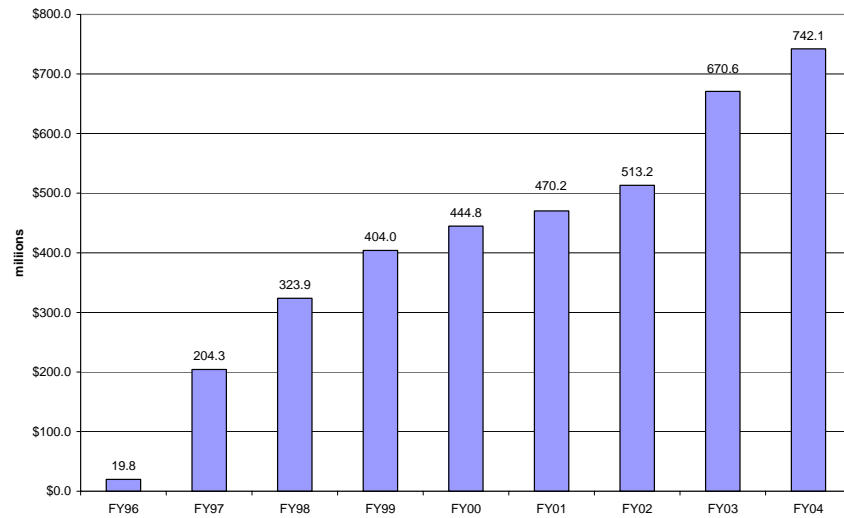
Horse Racing: Compilation of horse track revenue (includes pari-mutuel tax + track reimbursement for officials + admission tax + fines and civil penalties paid + track permit and license fees) paid to the state and the riverboat admission tax allocation (subsidy) paid by the state to horse racing

Charity: Includes charity organization license fees + manufacturers' license fees + distributors' license fees + manufacturers' and distributors' gaming card excise tax and penalties

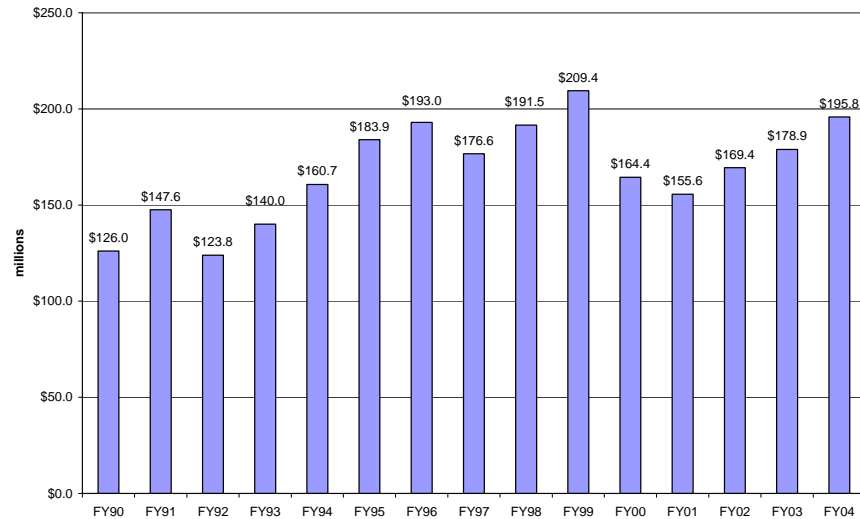
The four charts on the next page depict the net state tax gaming revenue for each of the four categories of legalized gaming in Indiana.

Net State Gaming Tax Revenue by Type of Gaming:

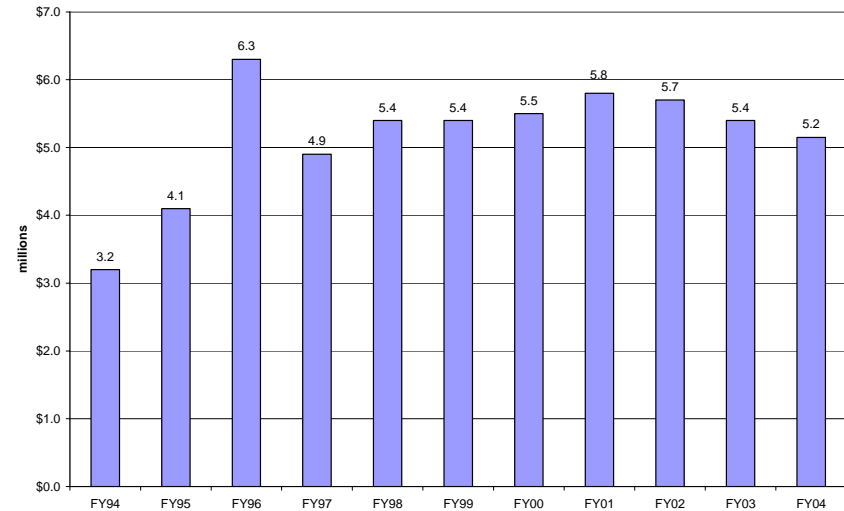
Riverboats Revenue to State FY



Lottery Revenue to State FY



Charity Revenue to State FY



For additional details on chart data, see notes at bottom of previous page.

III. PARTICIPATION RATES / SOCIAL IMPACT

Harrah's Survey 2004 provides a listing of the participation rates for casino gambling in all of the states except Alaska and Hawaii. It is based on the 2003 US Census report of population of those 21 years old and above within those states. The following table lists the casino participation rates for Indiana and its four contiguous states, along with the states with the lowest and highest rates.

TABLE K

	2003 Casino Participation Rates	2003 US Census Population (21+)
Indiana and contiguous states	Kentucky	19%
	Ohio	19%
	Indiana	22%
	Illinois	28%
	Michigan	32%
Lowest rate	West Virginia	7%
Highest rate	Arizona	41%

A “pathological” or “compulsive” (terms often used interchangeably) gambler can be defined as someone who meets the DSM-IV (Diagnostic Statistical Manual, 4th Edition, American Psychiatric Association) criteria for Pathological Gambling (Diagnostic code 312.31).

Nationally, a frequently used estimate for the number of pathological or compulsive gamblers (recognized as a psychiatric disorder in 1980) is 1.6 percent of all adults. This was reported in the National Gambling Impact Study Commission (NGISC) Report, 1999, based on a study done by Howard Shaffer in 1997 (Shaffer, H. et al, Harvard University, 1997, Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-Analysis).

The 1999 NGISC report also indicated that studies in some states have shown an adult pathological gambling rate of up to 7 percent.

Indiana's casino participation rate of 22% (960,000 adults) and a 1.6% “problem gambling” rate would indicate that over 15,000 Hoosiers who participate in casino

gambling have had or will have pathological or compulsive gambling disorders based on casino participation alone.

A pathological gambling rate of 1.6 percent among the 4.36 million Hoosiers 21 years of age and older would indicate that over 67,000 residents now have, have had or will have a pathological gambling problem at some point in their lives.

The Indiana problem gambling hotline fields approximately 3,000 calls per year. Of these callers, 800 to 1100 are deemed to be “problem gamblers”. The number of individuals who qualified for and participated in state supported gambling treatment programs in the past two (2) years are as follows:

FY03: 154

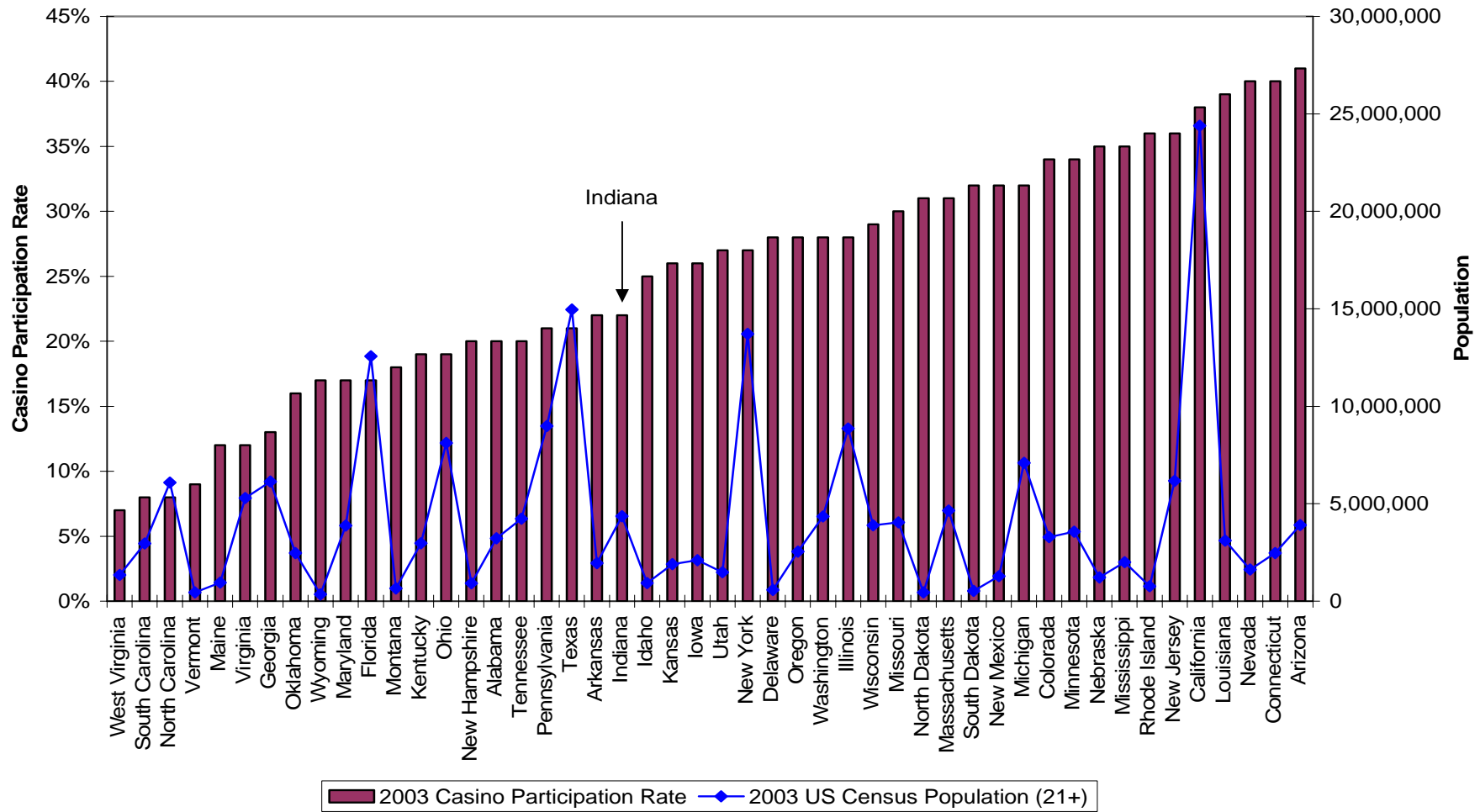
FY04: 161

In a Gallup poll performed in December 2003, 2 in 3 Americans report they participated in some form of gambling in the last year. The participation rate broke down as follows:

- 49 percent – Bought a state lottery ticket
- 30 percent – Visited a casino
- 15 percent – Participated in an office pool
- 14 percent – Played a video poker machine
- 10 percent – Bet on professional sports
- 6 percent – Bet on college sports
- 5 percent – Played bingo for money
- 4 percent – Bet on a horse race
- 2 percent – Bet on a boxing match
- 1 percent – Gambled on the Internet
- 13 percent – Any other kind of gambling

The Gallup poll also indicates that while participation in most forms of gambling appears to be less common than 15 years ago, there has been a significant percentage increase in Americans who say they visit casinos.

2003 Casino Participation Rate & Population by State (Does not include population under 21 years of age)



Graph is based on information from Harrah's Survey 2003, which includes US Census data.

IV. VOLUNTARY EXCLUSION PROGRAM (Riverboats)

As of July 1, 2004, Indiana legislation took effect creating a Voluntary Exclusion Program. Indiana followed the example of several other states, such as Missouri (which was among the first in 1996), Louisiana, Illinois, Arizona, Michigan and New Jersey.

The purpose of these programs is to allow an opportunity for those with a gambling problem or who believe they may have a problem to ban themselves from riverboats or casinos. Depending on the state, they have various options. They may choose to ban themselves for a certain length of time or may have only one choice, i.e., to ban themselves for life. Various names for the program are Voluntary Exclusion Program, List of Dissociated Persons, self-exclusion list etc.

Missouri's program was created in 1996. Currently those who sign up in Missouri have no choice but to ban themselves for life. That decision was based on the research at that time that indicated that the problem was a lifetime condition and never cured. Missouri is currently seeking input and investigating research in the area to help determine whether or not to make changes to their policy.

Indiana's Voluntary Exclusion Program is administered by the Indiana Gaming Commission. The program offers three choices: A person can choose to be banned for one year, five years or for life. From July 1, 2004 to December 1, 2004, a total of 348 people had signed up for the Indiana program. Of the 348, 120 are Illinois residents, 109 Indiana residents, 67 Kentucky residents, 3 Michigan residents, 45 Ohio residents and 4 Tennessee residents. The majority have banned themselves for life (158), with 118 banning themselves for one year and 72 for five years. The members range in age groups from 21 to over 75 years old. Individuals may sign up at the Indiana Gaming Commission office in Indianapolis or at one of the Indiana's ten (10) riverboats. To date, most people have signed up at the riverboats. Photographs are taken of each person who signs up. Individual voluntary exclusion information is not available to the public. Riverboat casino operators may make the restriction applicable to all of their gaming facilities or limit the exclusion to their Indiana property/properties.

V. NON-TRADITIONAL TYPES OF GAMING

Remote Gaming

Remote gaming is an innovative new technology that allows players to place their bets and play games of chance from outside the casinos. Remote gaming consists of “in-room” betting on games such as keno, bingo or slots, as well as betting on live table games like craps, blackjack and roulette. Game Cast (a subsidiary of Station Casinos) has developed a system to allow customers to play slots in their hotel room via interactive TV or personal computer. They can also place wagers in a restaurant via a wireless remote. Richard Fitzpatrick, president of the Interactive Gaming Institute of Nevada, says that while most interactive gaming is done on the Internet, TV, wireless and mobile gaming are on the rise with an estimated revenue of \$6 billion in 2004.

Mobile Gaming

Mobile gaming, or betting via cellular phones or other mobile devices, has the potential to generate global revenues of over \$5 billion by 2008 according to Paul Skeldon of Juniper Research. Mobile gaming can be broken down into three categories: casino style, lotteries and sports betting. Casino style mobile gambling is the most impractical due to technology limitations. It is difficult to recreate the exciting casino atmosphere of flashing lights, vibrant colors and various sounds using current mobile technology. Lotteries have potential for massive growth in conjunction with mobile gaming because of their simplicity. Also, lotteries are already the most accepted form of traditional gaming so incorporating mobile technology may be more readily acceptable. Text messaging via cellular phones would allow for dynamic betting on sporting events. Mobile gaming would make up-to-the-minute betting on various sports possible. Challenges associated with mobile gaming include regulatory problems, establishing consumer trust, developing payment plans and dealing with technology limitations.

Online Gaming

Online gaming is an industry that has seen explosive growth in the past few years. Internet wagering is expected to bring in nearly \$7.5 billion this year, and by 2007 the number may be as high as \$13.8 billion according to Christiansen Capitol Advisers. A recent Gallup poll (conducted December 11-14, 2003) revealed that one percent of Americans gamble online despite the fact that it is largely an illegal activity in the United States. According to the Wire Communication Act of 1961, commonly known as the Wire Act, it is illegal for a gambling business to knowingly receive or send certain types of bets or information that assists in placing bets over interstate and international wires (18 U.S.C. §1084). The wording of the Wire Act is a bit ambiguous and has been open to interpretation in the courts. Generally, the Wire Act has been used to make all online sports betting illegal (with the exception of horseracing). Nearly 1,800 offshore online gambling sites have sprung up in locations such as the Caribbean, Latin American, Australia, and Britain to circumvent the U.S. Wire Act.

WTO Ruling: The World Trade Organization ruled in March that the United States was violating free trade agreements by prohibiting consumers from betting at online gambling sites in Antigua and Barbuda. The U.S. has appealed the decision.

Asian Market: Asia is a huge and growing market for online gaming. The Asian market represented 16% of total Internet betting in 2003 and is expected to increase to 40% by 2006.

Problems with Online Gaming: Security has been a major problem for online gaming sites in the past year. Cyber-extortionists have hacked into wagering sites in Europe and demanded ten to fifty thousand dollars. The method these hackers use is called a *distributed denial of services* attack, or DDos, in which servers are hit with an onslaught of requests for information which ties up the server and makes it impossible to place bets. The cyber-extortionists pick heavy betting times like weekends or big event days, and then suggest a ransom to stop the attack, figuring the site operators would rather pay the ransom than lose all bets for the hours under attack.

Another troubling aspect of online gaming is its link to problem gambling. A study in *Psychology of Addictive Behaviors* (March 2002) found that while Internet gambling was the least common form of gambling, it correlated with the most serious problems. Seventy-four percent of the participants with Internet gambling experience were classified as problematic or pathological gamblers. Other problems associated with online gaming include monitoring underage gamblers, developing payment options, and concerns over money laundering schemes.

Opponents and Proponents: Senator Jon Kyl (R-Arizona) is an outspoken opponent of online gaming. He proposed a bill, the Kyl Bill, in 2003 to outlaw all Internet gambling with the exception of securities and commodities, closed-loop systems, pari-mutuel pooling of bets, state lotteries, some forms of Indian gaming, and fantasy sports leagues. The Kyl Bill passed overwhelmingly in the House in June 2003, but failed to make a full Senate vote.

Koleman Strumpf, an economics professor at the University of North Carolina at Chapel Hill, believes that prohibiting online gaming is a bad idea. Strumpf claims that criminalizing online gambling encourages the behavior it attempts to ban. He also thinks that any online gaming ban will simply ally Internet bookies with traditional illegal bookies, and exacerbate problems like money laundering. Strumpf recommends that the government legalize and regulate Internet gaming.

One of the few online gaming sites that is legal in the U.S. is Youbet.com. Youbet.com is the largest Internet provider of horse racing in the U.S. Members can watch and wager (in most states) on all domestic horse racing content over Youbet's closed-loop network.

Another site called UBet offers EBay-style betting in which players can bet on anything that is legal. The site matches bettors like EBay matches buyers and sellers. For a twenty dollars a month members are allowed to gamble on anything they want with money, valuables, or play money on the line.

Betfair.com is an Internet gambling operation based in London that allows bettors to wager directly against each other instead of the house in what is known as “peer-to-peer” betting. Betfair handles approximately one million wagers each day. They pay taxes and racing surcharges on their two percent commission, but the gambling customers pay nothing other than the 2-5% charge off the winner’s take. Betfair denies bettors from the U.S. by refusing credit cards from American banks and by checking addresses in the log in information.

Account Wagering

Account wagering is one of the few forms of betting over phone or Internet lines that is legal in the United States. The Interstate Horseracing Act has approved account wagering. The Louisville account wagering system, ODS, launched eight years ago, has since been absorbed into the TV Games Network (TVG). TVG offers 8-12 hours of racing a day to 46,000 subscribers in 12 different states including Indiana, Kentucky and Ohio. Nearly \$5.1 million was wagered on Derby Day in 2004 by TVG subscribers.

Rebate Shops

Nearly \$1.5 billion is bet each year on U.S. races at rebate shops. Rebate shops are primarily offshore betting operations that offer refunds on wagers made. Approximately 80% of all pari-mutuel wagering (known as the “handle”) is returned to bettors. Rebate shops generally split the remaining 20% as follows:

Purchase of simulcast signals:	3%
Rebates to large bettors:	10%
Balance to owners / operators of rebate shops:	7%

The margin accruing to rebate operators is significant inasmuch as they have no racetrack to maintain or horsemen to compensate. Rebates tend to increase amounts wagered. Maury Wolff, who studied rebates for the National Thoroughbred Racing Association Players’ Panel, estimates that some bettors wager as much as ten times their normal amount at rebate shops.

Rebate opponents argue that it is unfair that rebate shops do not contribute to the tracks and horsemen on which they bet. Rebate supporters counter that rebates attract big bettors to horse racing, make racing competitive with other forms of gambling, and are an example of free enterprise creativity.